Bk I/Vol 20/Pg 446

and possession of said Real Estate, have full power and lawful authority to sell and convey the same, that the title [illegible] is clear, free and unincumbered, and we will forever warrant and defend the same against all lawful claims.

The above described Real Estate is conveyed at the price above named upon the following conditions which are made a part of the consideration of this deed and are accepted and agreed to by the grantees herein as covenants running with the land:

First: That none of said Real Estate, nor any interest therein, shall be, at any time within twenty years from the date of this deed, sold, transferred, conveyed, leased or rented by the grantees herein or by any person, or persons, firm or corporation deriving title from or through said grantees, to any negro, negroes or persons of color, nor to any person or persons, firm or corporation for the purpose of being used as a school, church or place of meeting for colored persons.

Second: There shall not be erected on said Real Estate within period of twenty years from the date of this deed, any building of less cost than One Thousand ($1000.00) Dollars, or more than one dwelling.

Should either of the above conditions, stipulations or restrictions be violated by the grantees herein or by any person or persons, firm or corporation deriving title from or through said grantees, within period of twenty years from the date of this deed, then they or either of them shall be subject and liable at the suit of the grantors, their successors or their assigns.

Witness our hands on this the 2nd day of Nov. 1925.

J. F. Bonds

Eula L. Bonds

Internal revenue stamp 50¢ attached and canceled.

State of Tennessee

County of Hamilton Before me, C. R. Wallace, a Notary Public, duly appointed, commissioned and qualified in and for the County and State aforesaid personally appeared J. F. Bonds and wife Eula L. Bonds, the within named bargainors, with whom I am personally acquainted, and who acknowledged that they executed the within instrument for the purpose therein contained.

And Eula L. Bonds, wife of the said J. F. Bonds, having appeared before, privately and apart from her said husband, the said Eula L. Bonds acknowledged the execution of the above deed to have been done by her freely, voluntarially and understandingly, without compulsion or constraint on the part of her said husband, and for the purpose therein expressed.

In testimony whereof I have hereunto set my hand and Notarial Seal at office in Chattanooga, Hamilton County Tennessee, on this the 2nd day of Nov. 1925.

C. R. Wallace

C. R. Wallace Notary Public — Notary Public

Hamilton Co., Tenn

My commission expires Aug. 12 1929

State of Tennessee

Hamilton County The above Deed and certificate were filed for [illegible] 9 1925 at 12:45 P. M., entered in Note Book No. 25 Page 154, and recorded in Book I, Volume 20 Page 445 et seq.

Witness my hand at office in Chattanooga, Tenn.

S. A. Watson Register

Dept Reg

In consideration of Twenty Thousand ($20,000.00) Dollars cash in hand paid, receipt of which is hereby acknowledged, and other good and valuable considerations, receipt of which in full is hereby

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Parcel 201

full is hereby acknowledged, I, Genevieve Allan Montague, by Richard H. Kimball, attorney in fact, hereby [illegible], transfer and convey unto the United States Cast Iron Pipe & Foundry Company the following described real estate in Chattanooga, Hamilton County, Tennessee, viz:

Beginning on the east bank of the Tennessee River at the southwest corner of the property conveyed by N. C. Wells and others to D. P. Montague by deed dated January 24, 1893, and recorded in Book F, Vol. 5, page 654 of the Register's office of Hamilton County, Tennessee; thence eastwardly along the south line of said property to the west line of the right of way of the main line of the Chattanooga Belt Railway, Riverside Division, as now operated; thence northwardly with the west line of the Chattanooga Belt Railway and N. C. & St. L. Railway rights of way to the north line of the southeast quarter of Section 32, in the second fractional township, range 4 west of the basis line, Ocoee District, (said quarter section line coinciding with what would be the center line of Missionary Avenue if said street were extended in its present direction west of the rights of way of the Chattanooga Belt Railway and the N. C. & St. L. Railway); thence westwardly with the north line of the southeast and southwest quarters of said section to the low water line of the Tennessee River; thence southwardly with said low water line of said Tennessee River to the point of beginning;

Except that there is excepted from this conveyance an easement which the grantor hereby retains for the benefit of the Chattanooga River BrickCompany and its successors and assigns in the private street hereinbelow described located along what would be Missionary Avenue if extended.

To have and to hold the above described real estate, subject only to the exception above set out, to the United States Cast Iron Pipe & Foundry Company and its successors and assigns forever in fee simple.

It is agreed that what would be Missionary Avenue if extended in its present direction west of the rights of way of the Chattanooga Belt Railway and the N. C. & St. L. Railway, shall be a private streetwhich shall be solely for the use and benefit of the United States Cast Iron Pipe & Foundry Company and the Chattanooga River Brick Company and their successors intitle. The center line of said private street (which is also the quarter section line above described) shall be the line separating the lands of the grantee from those owned by the Chattanooga River Brick Company. Said Genevieve Allan Montague hereby grants and conveys unto Chattanooga River Brick Company and its successors, in title in fee simple an easement in the half of said private street lying south of said center line, said easement to be appurtenant to the tract of land which is now owned by said Chattanooga River Brick Company and which abuts on the north side of said private street. Chattanooga River Brick Company, in consideration of the easement herein granted to it, hereby joins in this instrument for the purpose only of granting and conveying to the United States Cast Iron Pipe & Foundry Company and its successors in title in fee simple an easement in the half of said private street lying north of said center line, said easement to be appurtenant to the land herein conveyed to the grantee. Both of the easements herein created in said private street shall be easements of way to use said private street for purposes of ingress and egress into and from the respective tracts of land to which said easements are appurtenant. Said private street shall be forty (40) feet in width.

Genevieve Allan Montague hereby covenants that she is lawfully seized and possessed of the real estate herein conveyed, that she has full right and lawful authority to sell and convey the same, and that the title thereto is free, clear and unencumbered with the

following exceptions, viz: (1) the taxes thereon for the year 1926, which the grantee expressly assumes and agrees to pay; (2) such rights, if any, as the City of Chattanooga may have in any street that may be claimed by it to cross said real estate; (3) such rights, if any, as the City of Chattanooga may have in any sewer crossing said real estate; (4) such rights, if any, as any railroad company may have for the maintenance and use of any of the railroad tracks, fills and rights of way now located on any of said real estate, and for the use of the land on which said tracks, fills and rights of way are located. And said Genevieve Allan Montague further covenants that she will forever warrant and defend the title herein conveyed, except as above noted, against all lawful claims.

And Chattanooga River Brick Company hereby joins in this instrument for the purpose of granting the easement in the private street above described.

In testimony whereof, the said Genevieve Allan Montague, by Richard H. Kimball, her attorney in fact, has hereunto set her hand, and Chattanooga River Brick Company has executed this instrument and has caused its corporate seal to be affixed hereto this 24th day of February 1926.

Genevieve Allan Montague
By Richard H. Kimball, Atty in Fact
Chattanooga River Brick Company,
By Richard H. Kimball, Pres & Treas.
A. M. Dickerson, Secretary

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Chattanooga, Tenn x
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State of Tennessee
County of Hamilton Before me, the undersigned, a Notary Public in and for said County and State, personally appeared Richard H. Kimball, attorney in fact for Genevieve Allan Montague, one of the within named bargainors, with whom I am personally acquainted, and who acknowledged that he, as attorney in fact for said Genevieve Allan Montague, executed the foregoing instrument for the purposes therein contained.

Witness my hand and notarial seal at office in said County and State this 24th day of February 1926.

x x x x x x x x x x x x x x x x x x x x x x
Burleigh Roark Notary Public x
Hamilton County, Tenn x
x x x x x x x x x x x x x x x x x x x x x x

Burleigh Roark
Notary Public

My commission expires Nov. 1927.

Internal revenue stamp $75.00 attached and canceled.

State of Tennessee
County of Hamilton Before me, the undersigned, a Notary Public in and for said County and State, personally appeared Richard H. Kimball and A. M. Dickerson, with both of whom I am personally acquainted, and who upon their oaths acknowledged themselves to be, respectively, the said Richard H. Kimball, the President, and the said A. M. Dickerson, the Secretary, of Chattanooga River Brick Company, one of the within named bargainors, a corporation, and that they, as such President and Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation and by affixing the corporate seal of the corporation, and that the seal affixed to said instrument is the corporate seal of said Chattanooga River Brick Company.

Witness my hand and notarial seal at office in said County and State this 24th day of February 1926.

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Burleigh Roark Notary Public x
Hamilton County, Tenn. x
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Burleigh Roark
Notary Public

My commission expires Nov. 1927.

State of Tennessee
Hamilton County — The above Deed and certificates were filed Mar. 9 1926 at 1:25 [illegible] Register in Note Book No. 35 Page 154, and Recorded in Book T, Volume 20 Page 446 et seq.

Witness my hand at office in Chattanooga, Tenn.

S. C. Watson Register
Dept Reg

For and in consideration of the sum of Three Hundred and Ten Dollars ($310.00) cash in hand paid, the receipt of which is hereby acknowledged, I, Fred P. Wallace, single, have bargained and sold and do hereby grant, transfer and convey unto L. A. Young, Trustee, with full power to sell and convey or mortgage or convey in trustto secure borrowed money, without the vendee or vendees or the beneficiary or beneficiaries joining in said conveyance or deed of trust or mortgage or looking to the appliance of the proceeds of such sale ormortgage, the following described real estate in the City of Chattanooga, Hamilton County Tennessee, to-wit:

Lot No. Ten (10) in Block No. Seven (7) Curtis Addition to Ridgedale as per plat of record in Plat Book 2, Page 12 of the Register's office of Hamilton County, Tennessee.

To have and to hold the same unto the said L. A. Young, Trustee, with full powers as above recited, his successors in trust and assigns forever in fee simple.

I covenant that I am lawfully seized and possessed of the said real estate, have full power and lawful authority to sell and convey the same, that the title thereto is clear, free and unencumbered except the 1926 taxes which the grantee herein assumes and agrees to pay and I will forever warrant and defend the same against all lawful claims.

In witness whereof I have hereunto set my hand this 6th day of March 1926.

Fred P. Wallace

Internal revenue stamp 50¢ attached and canceled.

State of Tennessee
County of Hamilton — Before me, C. E. Camp, a Notary Public, duly appointed, commissioned and qualified in and for the State and County aforesaid personally appeared Fred P. Wallace, the within named bargainor, with whom I am personally acquainted, and who acknowledged he executed the within instrument for the purpose therein expressed.

In testimony whereof I have hereunto set my hand and Notarial Seal at office in Hamilton County, Tennessee, this 8 day of March 1926.

C. E. Camp
C. E. Camp Notary Public — Notary Public
My Commission expires Jan. 15 1927
Hamilton Co., Tenn
My commission expires Jan. 15 1927.

State of Tennessee
Hamilton County — The above Deed and certificate were filed Mar. 9 1926 at 2: P. M., recorded in Note Book No. 35 Page 155, and recorded in Book T, Volume 20 Page 449.

Witness my hand at office in Chattanooga, Tenn

[illegible] Register
Dept Reg

In Consideration of Two Hundred and no/100 ($200.00) Dollars, cash, in hand paid, the receipt of all of which is hereby acknowledged, the assumption of the last thirty-three (33) notes of a series of eighty-seven (87) notes, thirty-two (32) of which are for

145N-A-002

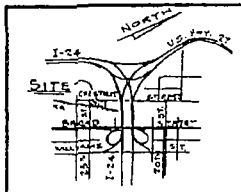
145N-A-004.01

	Pipe Properties, LLC a TN Limited Liability Company
/31/2006	
8/31/2006	
1:52	
067/904	United States Pipe and Foundry Company, LLC an AL limited liability company successor to united States Pipe and Foundry Company, Inc. - an AL corporation, United States Pipe and Foundry Company, a DE corporation and successor by name change from U.S. Pipe Holdings Corporation, a DE corporation
5/23/1988	
1:48	
487/528	Walter Industries, Inc. a DE corporation
5/23/1988	
1:48	
3487/521	unites States Pipe and Foundry Company, a DE corporation
2/5/1968	
10:25	
1755/622	Mueller Co, a IL corporation [ATWP5009949]

PB 69/85

parcel 004.01

MWPS009950



•VICINITY MAP•

NOTES:

1.) Present zoning classification is M-1.
2.) This plat subdivides Tract No. 5 in Book 1733, Page 622 (R.O.H.C.). Being Tax Parcel 145M-A-004.
3.) This subdivision has been developed according to the Design Standards of the City of Chattanooga Subdivision Regulations.
4.) Water source is Tennessee American Water Company.
5.) 0.841 acre subdivided by this plat.
6.) City Ordinance No. 9942 entitled "Stormwater Runoff and Erosion Control" shall apply to any discharge of same from this subdivision of property.
7.) Sanitary sewer is available as shown.

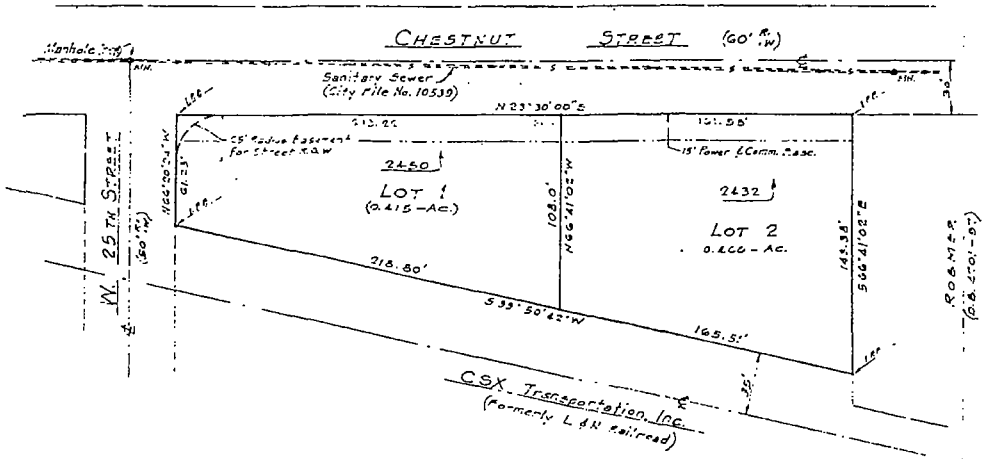
APPROVED FOR RECORDING
HAMILTON CO. GIS DEPT.
DATE 8-24-01
BY
JURISDICTIONAL AUTHORITY
DATE
BY
CHATTANOOGA HAMILTON CO.
REGIONAL PLANNING COMM.
DATE 8-24-01
BY

Instrument: 2001082400229
Book and Page: PB 69 85
Data Processing $
Mortgage Tax
Total Fees
Clerk: PRUDE
Date: 08/24/2001
Time: 03:28:11 PM
Contact: Pam Hurst, Register
Hamilton County Tennessee

FINAL:
PLAN OF LOTS 1 & 2
UNITED STATES PIPE AND FOUNDRY COMPANY'
SUBDIVISION ON CHESTNUT STREET
CHATTANOOGA - HAMILTON COUNTY, TN.
SCALE: 1"=30' AUG. 3, 2001

0 10 50 100 200
SCALE IN FEET

NORTH (Road Based)



We, the undersigned hereby adopt this plat as our plan of subdivision, dedicate the road rights-of-way as shown to the public use forever, and certify that we are the owners of the property divided hereon in fee simple. We certify that the dedicated rights-of-way are unencumbered.

United States Pipe and Foundry Company
2501 Chestnut Street
Chattanooga, Tennessee 37408
Tele: 752-3911

I, certify that I have surveyed the property hereon, that the survey is correct to the best of my knowledge and belief and that the ratio of precision of the unadjusted survey is > 1:10,000 (Category I)

HOPKINS SURVEYING GROUP, INC.
David L. Hopkins, Jr. - Registered Land Surveyor No 170
175 Historic Road - P.O. Box 4366
Chattanooga, Tennessee 37405

DRAWING NO 2001-8-2-2

Owner Name: PIPE PROPERTIES LLC .

Property Image

Property Address: 2501 CHESTNUT ST

Map:	Group:	Parcel:
145N	A	002

District:	Property Type:	Land Use Code:
1-CITY	10-INDUSTRIAL	390-MISCELLANEOUS MFG

Lot Size:

Calc Acres: 12.9800

Subdivision:

Legal Description:

*DELETE SOME IMPS 2008
LTS 1-29 PT 30 LTS 1&2 BLKS A&B
TODD ADD PB 5 PG 3
0121 06 01

Mailing Address:

0 P O BOX 6308
CHATTANOOGA, TN 37401

Sales Information

2 results.

DATE	CONSIDERATION	BOOK	PAGE
08/31/2006		8067	0904
01/01/1968		1755	0622

Residential Building List

0 results.

Commercial Building List

9 results.

SEQUENCE	PURPOSE	TOTAL AREA	YEAR BUILT
3	HEAVY MANUFACTURING BUILDING	26,460	1936
4	GENERAL OFFICE	4,662	1952
5	GENERAL OFFICE	364	1948
6	UTILITY BUILDING	156	1940
10	GENERAL OFFICE	480	1950
11	HEAVY MANUFACTURING BUILDING	27,540	1936
18	WAREHOUSE-STORAGE	3,248	1930
19	LOADING DOCK	8,329	1930
20	UTILITY BUILDING	264	1930

Miscellaneous Improvements List

4 results.

SEQUENCE	PURPOSE	YEAR BUILT
7	ASPHALT PARKING	1952
8	CHAIN LINK FENCING	1952
9	RAILROAD SPUR TRACK	1952
36	TANKS	1981

MWPS009951

Owner Name: PIPE PROPERTIES LLC

Property Image

Property Address: 2450 CHESTNUT ST

Map:	Group:	Parcel:	
145N	A	004.01	
District:	**Property Type:**		**Land Use Code:**
1-CITY	10-INDUSTRIAL		310-ANCILLARY TO MANUFACTURING

Lot Size: 213.22X108IRR

Calc Acres: 0.4200

Subdivision:

Legal Description:

*ADJ LAND BY SURVEY 2007
LT 1 UNITED STSTES PIPE & FOUNDRY
CO SUB PB 69 PG 85

Mailing Address:

0 P O BOX 6308
CHATTANOOGA, TN 37401

Sales Information

2 results.

DATE	CONSIDERATION	BOOK	PAGE
08/31/2006		8067	0904
01/01/1968		1755	0622

Residential Building List

0 results.

Commercial Building List

0 results.

Miscellaneous Improvements List

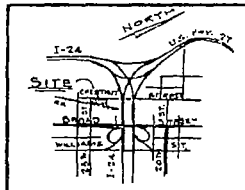
3 results.

SEQUENCE	PURPOSE	YEAR BUILT
2	CHAIN LINK FENCING	1960
3	CHAIN LINK FENCING	2002
4	ASPHALT PARKING	1960

MWPS009952

P5
6918 53

MWPS009953


NORTH
I-24
US Hwy. 27
SITE
Amnicola
Airport
25th St.
I-24
Dodson Ave.
Wilcox Blvd.
Dodson Ave.
I-24
Dodson Ave.
Wilcox Blvd.
Dodson Ave.
Dodson Ave.
Wilcox Blvd.
Dodson Ave.
Dodson Ave.
Wilcox Blvd.
Dodson Ave.

Instrument: 20060831002794
Book and Page: GI 8067 904
Conveyance Tax $1,850.00
Deed Recording Fe $45.00
Data Processing F $2.00
Probate Fee $1.00
Total Fees: $1,898.00
User: DSKELTON
Date: 31-AUG-2006
Time: 01:52:56 P
Contact: Pam Hurst, Register
Hamilton County Tennessee

Return to

ADDRESS NEW OWNER(S) AS FOLLOWS:	SEND TAX BILLS TO:	MAP PARCEL NUMBER
Pipe Properties, LLC (NAME)	same (NAME)	145N-A-001
P.O. Box 6308 (STREET ADDRESS OR ROUTE NUMBER)	(STREET ADDRESS)	145N-A-002
Chattanooga, TN 37401 (CITY) (STATE) (ZIP)	(CITY) (STATE) (ZIP)	145N-A-004.01
		145N-A-005

PTA 108798 (2)

WARRANTY DEED

IN CONSIDERATION of One ($1.00) Dollar and other valuable considerations paid, the receipt of all of which is hereby acknowledged, UNITED STATES PIPE AND FOUNDRY COMPANY, LLC, an Alabama limited liability company, successor to United States Pipe and Foundry Company, Inc., an Alabama corporation, United States Pipe and Foundry Company, a Delaware corporation, and successor by name change from U.S. Pipe Holdings Corporation, a Delaware corporation, does hereby sell, transfer and convey unto PIPE PROPERTIES, LLC, a Tennessee limited liability company, the following described real estate located in the City of Chattanooga of Hamilton County, Tennessee:

See Exhibit "A" attached hereto for legal description.

See Exhibit "B" attached hereto for permitted exceptions to title.

Subject to any governmental zoning and subdivision ordinances or regulations in effect thereon.

The grantee herein assumes and agrees to pay all taxes assessed against said real estate for the year 2006, subject to the adjustment and proration between the parties based on the actual 2006 real estate taxes.

TO HAVE AND TO HOLD the same unto the said PIPE PROPERTIES, LLC, a Tennessee limited liability company, its successors and assigns, forever in fee simple.

United States Pipe and Foundry Company, LLC, an Alabama limited liability company, covenants that it is lawfully seized and possessed of said real estate, has full power and lawful authority to sell and convey the same, that the title thereto is clear, free and unencumbered, except as hereinabove mentioned, and it will forever warrant and defend the same against all lawful claims.

Prepared By

WILLIAM DAVID JONES
ATTORNEY AT LAW
513 Georgia Avenue
CHATTANOOGA, TN 37403

MWPS009954

IN WITNESS WHEREOF, United States Pipe and Foundry Company, LLC, an Alabama limited liability company has caused this instrument to be executed by its duly authorized officer as of the 31st day of August, 2006.

UNITED STATES PIPE AND FOUNDRY COMPANY, LLC,
an Alabama limited liability company

By _____
WALTER T. KNOLLENBERG, VICE PRESIDENT

STATE OF TENNESSEE
COUNTY OF CHATTANOOGA

Before me, Rebecca Lynn Stone, of the state and county aforesaid, personally appeared WALTER T. KNOLLENBERG with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon oath, acknowledged himself to be Vice President authorized to execute the instrument of the UNITED STATES PIPE AND FOUNDRY COMPANY, LLC, the within named bargainor, a limited liability company, and that he as such Vice President executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself as Vice President.

WITNESS my hand and seal, at office in Chattanooga, Tennessee, this 31st day of August, 2006.

_____
Notary Public

REBECCA LYNN STONE NOTARY PUBLIC AT LARGE HAMILTON CO. TN

My Commission Expires: June 23, 2007

STATE OF TENNESSEE
COUNTY OF HAMILTON

I hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is $500,000.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

_____
Affiant

Subscribed and sworn to before me on this the 31st day of August, 2006.

_____
Notary Public

REBECCA LYNN STONE NOTARY PUBLIC AT LARGE HAMILTON CO. TN

My Commission Expires: June 23, 2007

Exhibit "A"
(Legal Description for Pipe Properties, LLC)

Parcel 1-A

A parcel of land bounded on the Northwesterly side by the Northeasterly right-of-way of Interstate 24 and on the Northeasterly and Easterly sides by the right-of-way of the Louisville and Nashville Railroad Company. Said property being more particularly described as follows:

Beginning at a 5/8" rebar with cap at the intersection of the Northeasterly right-of-way of Interstate 24 and the Westerly right-of-way of the Louisville and Nashville Railroad Company; thence along said Westerly right-of-way the following sixteen calls: thence S 09°57'59" E 193.76 feet to a U.S. Pipe and Foundry Company monument; thence S 09°57'31" E 153.23 feet to a U.S. Pipe and Foundry Company monument; thence S 09°56'26" E 388.45 feet to a U.S. Pipe and Foundry Company monument; thence S 09°56'29" E 213.28 feet to a U.S. Pipe and Foundry Company monument at the beginning of a curve to the right; thence along said curve to the right having a radius of 692.45 feet, a length of 564.51 feet and a delta angle of 46°42'34" (Chord: S 13°24'46" E 549.00 feet) to a 5/8" rebar with cap; thence S 36°46'05" W 903.34 feet to a U.S. Pipe and Foundry Company monument; thence S 36°46'05" W 77.79 feet to a 5/8" rebar with cap; thence S 39°49'49" W 100.00 feet to a 5/8" rebar with cap; thence S 38°23'56" W 40.27 feet to a 5/8" rebar with cap; thence S 39°17'25" W 50.28 feet to a 5/8" rebar with cap; thence S 42°47'47" W 50.47 feet to a U.S. Pipe and Foundry Company monument; thence S 46°41'12" W 74.64 feet to a 5/8" rebar with cap; thence S 46°46'39" W 74.98 feet to a 5/8" rebar with cap; thence S 48°17'44" W 75.01 feet to a 5/8" rebar with cap; thence S 50°28'14" W 108.73 feet to a U.S. Pipe and Foundry Company monument; thence S 50°37'28" W 668.13 feet to a 5/8" rebar with cap at the intersection of the Southwesterly right-of-way of the Louisville and Nashville Railroad and the Southeasterly right-of-way of Interstate 24; thence along said Northeasterly right-of-way the following eight calls: thence N 22°33'24" E 217.33 feet to a U.S. Pipe and Foundry Company monument; thence N 21°38'58" E 210.85 feet to a U.S. Pipe and Foundry Company monument; thence N 21°38'58" E 368.00 feet to a 5/8" rebar with cap; thence N 21°38'58" E 340.00 feet to a 5/8" rebar with cap; thence N 21°38'58" E 1237.39 feet to a 5/8" rebar with cap; thence N 23°37'56" E 293.41 feet to a U.S. Pipe and Foundry Company monument; thence N 31°34'17" E 493.08 feet to a 5/8" rebar with cap; thence N 48°39'40" E 288.43 feet to the Point of Beginning. Described parcel of land containing 39.41 acres, more or less.

Exhibit "A" Book and Page: GI 8067 907
(Legal Description for Pipe Properties, LLC)

Parcel 1-B

A parcel of land bounded on the Northerly side by the Southerly right-of-way of Interstate 24, on the Southeasterly side by the rights-of-way of Chestnut Street and the Louisville and Nashville Railroad, and on the Westerly side by the right-of-way of the Louisville and Nashville Railroad. Said property being more particularly described as follows:

Commencing at a 5/8" rebar with cap at the intersection of the Northeasterly right-of-way of Interstate 24 and the Westerly right-of-way of the Louisville and Nashville Railroad Company; thence N 53°13'27" E 61.62 feet to a U.S. Pipe and Foundry Company monument at the intersection of the Southerly right-of-way of Interstate 24 and the Easterly right-of-way of the Louisville and Nashville Railroad Company, said point being the Point of Beginning of the property herein described; thence along said Southerly right-of-way the following three calls: thence N 73°36'26" E 362.45 feet to a 5/8" rebar with cap; thence S 88°57'50" E 342.50 feet to a U.S. Pipe and Foundry Company monument; thence S 65°06'08" E 147.58 feet to a 5/8" rebar with cap at the Northwesterly right-of-way of Chestnut Street; thence S 24°29'19" W along said Northwesterly right-of-way 1032.38 feet to a 5/8" rebar with cap; thence S 65°38'08" E 32.49 feet to a U.S. Pipe and Foundry Company monument on the Northwesterly right-of-way line of the Louisville and Nashville Railroad and the Southerly right-of-way of West 26th Street; thence S 36°46'05" W along said Northwesterly right-of-way 414.52 feet to a 5/8" rebar with cap at the intersection of said right-of-way and the Easterly right-of-way of the Louisville and Nashville Railroad; thence along said Easterly right-of-way the following nine calls: thence N 08°44'34" E 51.42 feet to a 5/8" rebar with cap; thence N 03°22'54" E 101.41 feet to an iron pipe; thence N 00°19'55" W 49.94 feet to an iron pipe; thence N 03°54'43" W 50.01 feet to an iron pipe; thence N 07°06'36" W 49.99 feet to a 5/8" rebar with cap; thence N 09°37'39" W 155.33 feet to a U.S. Pipe and Foundry Company monument; thence N 10°04'50" W 434.68 feet to a U.S. Pipe and Foundry Company monument; thence N 18°20'56" W 68.87 feet to a 5/8" rebar with cap; thence N 10°47'17" W 308.48 feet to the Point of Beginning. Described parcel of land containing 12.98 acres, more or less.

Exhibit "A"
(Legal Description for Pipe Properties, LLC)

Book and Page: GI 8067 908

Parcel 1-C

A parcel of land bounded on the Northerly side by the Southerly boundary of Robmer property, on the Easterly side by the Northwesterly right-of-way of the Louisville and Nashville Railroad, on the Southerly side by the Northerly right-of-way of West 25th Street, and on the Westerly side by the Northeasterly right-of-way of Chestnut Street. Said property being more particularly described as follows:

145 N. Acres

Beginning at a U.S. Pipe and Foundry Company monument at the intersection of the Northerly right-of-way of West 25th Street and the Northeasterly right-of-way of Chestnut Street; thence N 24°29'31" E along said Northeasterly right-of-way 213.17 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way S 65°44'40" E along the Southerly boundary of Robmer property 107.96 feet to a U.S. Pipe and Foundry Company monument on the Northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°44'32" W along said Northwesterly right-of-way 218.65 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way N 65°27'07" W along the Northerly right-of-way of West 25th Street 61.57 feet to the Point of Beginning. Described parcel of land containing 0.42 acres, more or less.

Exhibit "A"

(Legal Description for Pipe Properties, LLC)

Parcel 1-D

Book and Page: GI 8067 909

A parcel of land bounded on the Northwesterly side by the Northeasterly right-of-way of Chestnut Street, on the Northeasterly side by the Southerly right-of-way of West 25th Street, and on the Southeasterly side by the Northwesterly right-of-way of the Louisville and Nashville Railroad. Said property being more particularly described as follows:

Beginning at a U.S. Pipe and Foundry Company monument at the intersection of the Southerly right-of-way of West 25th Street and the Northeasterly right-of-way of Chestnut Street; thence S 65°31'25" E along said Southerly right-of-way 50.26 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way S 36°48'38" W along the Northwesterly right-of-way of the Louisville and Nashville Railroad 235.36 feet to a U.S. Pipe and Foundry Company monument on the Northeasterly right-of-way of Chestnut Street; thence leaving said right-of-way N 24°28'47" E along said Northeasterly right-of-way 229.93 feet to the Point of Beginning. Described parcel of land containing 0.13 acres, more or less.

145 M. Acres although tax map shows distances that are less than described here.

Exhibit "A"
(Legal Description for Pipe Properties, LLC)
(Parcels 1-A, 1-B, 1-C & 1-D)
(Tax Map Parcel Nos. 145N-A-004.01,
145N-A-002 & 145N-A-005)

Together with appurtenant rights, benefits and easements in favor of Grantor as set out in Deed from U.S. Pipe and Foundry Company to the State of Tennessee for the use and benefit of the Department of Highways dated March 12, 1965 and recorded in Book 1619, Page 324, in the Register's Office of Hamilton County, Tennessee.

Together with appurtenant rights, benefits and easements in and to the 40 foot private street described in Deed from Genevieve Allan Montague to United States Cast Iron Pipe & Foundry Company dated February 24, 1926, and recorded in Book I, Volume 20, Page 446, in the Register's Office of Hamilton County, Tennessee.

Together with appurtenant rights, easements and benefits set out and/or reserved in Deed from United States Pipe and Foundry Company to SFSI, LLC dated May 17, 1996, and recorded in Book 4683, Page 950, in the Register's Office of Hamilton County, Tennessee.

Together with a perpetual, non-exclusive easement for purposes of ingress and egress over and across the "Access Road" as identified and located on Survey by Wesley M. James dated May 16, 2006, last revised August 29, 2006, Drawing No. 11433-2-207.

The Source of Grantor's interest is found in Deed recorded in Book 3487, Page 528, in the Register's Office of Hamilton County, Tennessee.

EXHIBIT "B"
(Permitted Exceptions)
(Pipe Properties, LLC Deed)
(Parcels 1-A, 1-B, 1-C & 1-D)
(Tax Map Parcel Nos. 145N-A-004.01,
145N-A-002 & 145N-A-005)

Right of way conveyed to A.G.S. Railway by deed of record in Book O, Volume 7, Page 398, in the Register's Office of Hamilton County, Tennessee. (Parcels 1-A and 1-B)

Rights of City of Chattanooga in Sewer Line traversing the Western portion of Parcel 1-B, as herein described (if not now included in the freeway right of way); and to Easement in favor of City of Chattanooga (Electric Power Board) for transmission lines along the Western extremity thereof. (Parcels 1-A and 1-B)

City of Chattanooga Ordinance No. 5272, reserving Easement in that part of Fort Street abandoned for existing sanitary sewer and other utilities therein, with the right to enter thereon for the purpose of repairing, enlarging, replacing and maintaining utility facilities therein, as shown on drawings attached thereto. (Parcel 1-B)

Easement to Electric Power Board in Book 2081, Page 694, abandoned and relocated at Book 2404, Page 897, in the Register's Office of Hamilton County, Tennessee. (Parcel 1-A)

Easement conveyed to the City of Chattanooga by instrument recorded in Book 1223, Page 48, in the Register's Office of Hamilton County, Tennessee. (Parcel 1-D)

All existing unrecorded railroad easements or side- track agreements, if any. (Parcels 1-A, 1-B, 1-C & 1-D)

Slope easement in favor of State of Tennessee Department of Highways as described in instrument dated July 7, 1965, in Book 1638, Page 73, in the Register's Office of Hamilton County, Tennessee. (Parcels 1-A and 1-B))

Lease Agreements of record in Deed Book 6271, Page 351 and Book 6271, Page 356, in the Register's Office of Hamilton County, Tennessee. (Parcel 1-A)

Easement to City Water Company as found of record in Book 732, Page 325, in the Register's Office of Hamilton County, Tennessee. (Parcel 1-B)

Slope Easement and Sewer Easement from U.S. Pipe to State of Tennessee recorded in Book 1619, Page 324, said Register's Office. (Parcel 1-A)

Easement to railroad in Book 828, Page 139, in the Register's Office of Hamilton County, Tennessee. (Parcels 1-A and 1-B)

Control of access onto Interstate 24. (Parcels 1-A and 1-B)

The following matters shown on survey by Wesley M. James dated May 15, 2006, last revised August 29, 2006, Drawing No. 11433-2-207:

Parcel 1-A:	Overhead wires, railroad;
Parcel 1-B:	Encroachment of building onto CSTX railroad, overhead wires, EPB power line easement;
Parcel 1-C:	none
Parcel 1-d:	Overhead wires.

Parcel 1-A: Access to Parcel 1-A is not warranted.

EXHIBIT "B"
(Permitted Exceptions)
(Pipe Properties, LLC Deed)
(Parcels 1-A, 1-B, 1-C & 1-D)
(Tax Map Parcel Nos. 145N-A-004.01,
145N-A-002 & 145N-A-005)

Restrictive Covenants

The Grantee covenants not to sell, transfer, convey, or otherwise dispose of any portion of the underlying land (not including fixtures, improvements or personal property) being a part of the Real Property until the Grantee has obtained the substitution of Grantee for Grantor on the Tennessee Department of Environment and Conservation ("TDEC") permit for the landfill located on the Landfill Property (as defined in Paragraph 10(a) of that certain Property Purchase Agreement dated May 18, 2006, between the Grantor and Grantee) and the release of all of Seller's financial assurance obligations, as listed on Exhibit J of said Property Purchase Agreement, in connection with the closure of the landfill located on the Landfill Property in accordance with the provisions of Paragraph 12 of said Property Purchase Agreement.

For a period ending on the third anniversary of the date of this Deed, Grantee agrees not to sell (i) any portion of the underlying land (not including fixtures, improvements or personal property) being a part of the Real Property; or (ii) the tooling or patterns for the products described in Exhibit L of said Property Purchase Agreement (the "Products"), to any transferee which Grantee knows will use the transferred land, tooling or patterns to manufacture or sell products which are the same as, or substantially similar to, the Products. Grantee may rely on a signed statement from a transferee confirming that the transferee will not use the transferred land, tooling or patterns for the restricted purposes.

ITaE 880634
SDS

BOOK 3487 PAGE 528

Mail Tax Notices to:

United States Pipe and Foundry Company
Attn: E. J. Mize, Jr.
3300 First Avenue North
Birmingham, Alabama 35222

This instrument prepared by,
and to be returned to:

Bobby C. Underwood, Esquire
Bradley, Arant, Rose & White,
1400 Park Place Tower,
Birmingham, Alabama 35203

File Copy ONE

Property Address:

2701 Chestnut Street
Chattanooga, Tennessee

SPECIAL WARRANTY DEED

STATE OF TENNESSEE)

COUNTY OF HAMILTON)

THIS INDENTURE, made and entered into as of the 17th day of May, 1988, by and between WALTER INDUSTRIES, INC., a Delaware corporation ("Grantor"), and U. S. PIPE HOLDINGS CORPORATION, a Delaware corporation, 3300 First Avenue North, Birmingham, Alabama 35222 ("Grantee");

WHEREAS, Grantor has adopted a Plan of Complete Liquidation, and Grantee is the owner of a portion of Grantor's capital stock;

WITNESSETH: That Grantor, pursuant to said Plan of Complete Liquidation and for and in consideration of the redemption of a portion of its Common Stock, par value $.01 per share, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell, convey, and confirm unto Grantee, its successors and assigns, all those tracts or parcels of land situated, lying and being in the County of Hamilton, State of Tennessee, as more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all improvements thereon and all rights, members and appurtenances in any manner appertaining or belonging to said property.

SUBJECT, HOWEVER, to (i) ad valorem taxes for the current tax year, a lien not yet due and payable, and (ii) existing covenants, easements, conditions, restrictions, reservations, rights and rights of way, including rail trackage agreements.

TO HAVE AND TO HOLD to Grantee, its successors and assigns, forever.

IN WITNESS WHEREOF, Grantor has caused this deed to be executed and

TAX MAP NUMBER
PART OF 145J-A-3 and 145N-A-1

attested and its corporate seal affixed by its duly authorized officers as of the date first above written.

WALTER INDUSTRIES, INC.

By: W. N. Temple
W. N. Temple, Vice President

ATTEST: Joseph W. Stysnsy
Joseph W. Stysnsy, Assistant Secretary

(CORPORATE SEAL)

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

Before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared W. N. Temple, with whom I am personally acquainted and who, upon oath, acknowledged himself to be Vice President of Walter Industries, Inc., a Delaware corporation, the Grantor, and that he as such officer and with full authority, executed the same voluntarily for the purposes therein contained by signing the name of the corporation by himself as Vice President.

Given under my hand and official seal this 17th day of May, 1988.

Kathy Y. Ley
Notary Public

My Commission Expires: 3/11/92

[NOTARIAL SEAL]

I hereby swear or affirm that, to the best of affiant's knowledge, information, and belief, the actual consideration for this transfer or value of the property transferred, whichever is greater, is $ Exempt, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

W. N. Temple
Affiant

Subscribed and sworn to before me this 17th day of May, 1988.

Kathy Y. Ley
Notary Public

EXHIBIT A
TO
DEED FROM: WALTER INDUSTRIES, INC.
TO U.S. PIPE HOLDINGS CORPORATION

All the following parcels of land lying and being in the City of Chattanooga, Hamilton County, Tennessee:

PARCEL 1

PARCEL 1-A:

A parcel of land bounded on the northwesterly side by the right-of-way of Interstate Highway 24 and on the northeasterly and easterly side by the right-of-way of the Alabama Great Southern Railroad Company and on the southeasterly side by the right-of-way of the Louisville and Nashville Railroad Company, and described more particularly as follows:

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence S 09°44'07"E along said westerly right-of-way of the Louisville and Nashville Railroad a distance of 113.24 feet to a new 3-1/2 inch capped pipe monument; thence S 44°29'15"E along said right-of-way 80.00 feet to a 4-1/2 inch monument; thence S 09°55'15"E, 39.28 feet to a 3-1/2 inch capped pipe; thence S 23°29'29"E, 85.55 feet to a 4-1/2 inch monument at the end of the westerly right-of-way of Louisville and Nashville Railroad Company and the beginning of the westerly right-of-way of the Alabama Great Southern Railroad Co.; thence S 09°54'03"E along said right-of-way 177.19 feet to a 4-1/2 inch U.S. Pipe and Foundry Company monument, said point being the Point of Beginning of the property herein described and the intersection of the westerly right-of-way of the A.G.S. Railroad Company and the southeasterly right-of-way of Highway I-24; thence S 09°57'59"E along the right-of-way of the A.G.S. Railroad 193.76 feet to a 4 inch capped pipe; thence S 09°57'31"E, 153.23 feet to a 4-1/2 inch monument; thence S 09°56'26"E, 388.45 feet to a 4-1/2 inch monument; thence S 09°56'29"E, 213.28 feet to a curve concave to the west having a radius of 692.45 feet; thence right 564.51 feet along said curve through a central angle of 46°42'34" to the point of tangency, said point being also the end of the right-of-way of the A.G.S. Railroad Company and the beginning of the Louisville and Nashville Railroad Co. right-of-way; thence S 36°46'05"W 905.34 feet along the Louisville and Nashville Railroad right-of-way to a 3-1/2 inch capped pipe; thence continue along said right-of-way S 36°46'05"W, 75.79 feet to a point; thence S 39°49'49"W, 100.00 feet; thence S 38°23'56"W, 40.27 feet; thence S 39°17'25"W, 50.28 feet to an old 3 inch open pipe; thence S 42°47'47"W, 50.47 feet to an old 3 inch capped pipe; thence S

46°41'12"W, 74.64 feet; thence S 46°46'39"W, 74.98 feet; thence S 48°17'44"W, 75.01 feet; thence S 50°28'14"W, 108.73 ft. to a 3-1/2 inch capped pipe; thence S 50°37'28"W, 668.13 feet to a 3 inch capped pipe at the intersection of the Louisville and Nashville Railroad Co. northwesterly right-of-way and the southeasterly right-of-way of Interstate Highway 24; thence N 22°33'24"E along a chord of a spiral curved aforementioned highway right-of-way 217.33 feet to the point of tangency; thence continue along said right-of-way N 21°38'58"E, 210.85 feet to a 1 inch pipe; thence continue along the previously described course 368.00 feet to a point; thence continue N 21°38'58"E, 340.00 feet to a 3-1/2 inch capped pipe; thence continue N 21°38'58"E, 1237.39 feet; thence N 23°37'56"E along said right-of-way 293.41 feet; thence N 31°34'17"E along said right-of-way 493.08 feet; thence N 40°39'40"E, 288.43 feet to the Point of Beginning. Containing in all 39.41 acres.

PARCEL 1-B:

A parcel of land bounded on the northerly side by the right-of-way of Interstate Highway 24, on the southeasterly side by the rights-of-way of Chestnut Street and the Louisville and Nashville Railroad, and on the westerly side by the right-of-way of the Louisville and Nashville Railroad, and described more particularly as follows:

Commence at a 4-1/2 inch U.S Pipe and Foundry Company monument at the northerlymost corner of said Company's Valve and Fitting Plant property (39.41 acres), said point being also the intersection of the southeasterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Alabama Great Southern Railroad Company; thence N 52°49'12"E, a distance of 62.03 feet to a 3-1/2 inch capped pipe, said point being the Point of Beginning of the property herein described and the intersection of the southerly right-of-way of Interstate Highway 24 and the easterly right-of-way of the Louisville and Nashville Railroad; thence N 73°38'33"E along the southerly right-of-way of said highway 362.18 feet; thence S 88°56'49"E along said right-of-way 342.58 feet; thence S 64°29'49"E, 147.45 feet to the intersection of the right-of-way of Interstate Highway 24 with the northwesterly right-of-way line of Chestnut Street, said right-of-way being 60 feet in width; thence S 24°29'07"W along the northwesterly right-of-way of Chestnut Street 1030.76 feet; thence S 65°35'29"E, 32.52 feet to the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°46'05"W along said right-of-way 414.55 feet to the intersection of said line with the curved easterly right-of-way of the Louisville and Nashville Railroad bearing northerly and northwesterly along the chord lines of an irregular curve as follows: thence N 08°35'23"E, 51.50 feet; thence N 03°26'25"E, 101.36 feet to a 5/8 inch rod; thence N 00°11'47"W, 50.04 feet to a 5/8 inch rod; thence N 04°01'11"W, 49.91 feet to a 5/8 inch rod; thence N 07°13'57"W, 50.07 feet to a 5/8 inch rod at the point of tangency; thence N 09°37'27"W, continue along said right-of-way 155.33 feet to a 3 inch capped pipe; thence N 10°04'37"W, 434.69 feet to a 3 inch capped pipe; thence N 18°13'25"W, 68.39 feet to a 3 inch capped pipe; thence continue along aforementioned right-of-way N 10°46'20"W, 309.11 feet to the Point of Beginning. Containing in all 12.98 acres.

PARCEL 1-C:

Begin at 3 inch capped pipe at the intersection of the northeasterly right-of-way of West 25th Street and the southeasterly right-of-way of Chestnut Street; thence N 24°29'07"E along said right-of-way of Chestnut Street 374.71 feet to a 3 inch capped pipe; thence S 65°47'14"E, 143.29 feet to a 3 inch capped pipe, said point being on the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°48'41"W along said right-of-way 384.40 feet to a 3 inch capped pipe on the northeasterly right-of-way of West 25th Street; thence N 65°22'28"W along said right-of-way 61.23 feet to the Point of Beginning. Containing in all 0.88 acres.

PARCEL 1-D:

A triangular parcel of land bounded on the northwest by Chestnut Street, on the northeast by West 25th Street, and on the southeast by the right-of-way of the Louisville and Nashville Railroad, and described more particularly as follows:

Begin at a 3-1/2 inch capped pipe at the intersection of the southwesterly right-of-way of West 25th Street and the Southeasterly right-of-way of Chestnut Street; thence S 65°30'53"E along said right-of-way of West 25th Street 50.32 feet to a 3-1/2 inch capped pipe on the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°49'55"W along said right-of-way 235.33 feet to a 3-1/2 inch capped pipe at the intersection of said right-of-way with the southeasterly right-of-way of Chestnut Street; thence N 24°29'07"E along the right-of-way of Chestnut Street 229.88 feet to the Point of Beginning. Containing in all 0.13 acres.

The total foregoing Parcels 1-A through 1-D containing in all 53.40 acres.

For prior title see deed recorded Book 3487, Page 521, from United States Pipe and Foundry Company to Walter Industries, Inc., in the Register's Office, Hamilton County, Tennessee.

PARCEL 2

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence N 65°19'27"W along the right-of-way of Interstate Highway 24 and the southwest boundary of Siskin Steel and

Supply Company property a distance of 112.11 feet to a U.S. Pipe and Foundry Company monument at the intersection of the northwesterly right-of-way of said highway with the southwesterly boundary of Siskin Steel and Supply Co., said point being the Point of beginning of the property herein described; thence S 33°30'51"W along aforementioned right-of-way 810.07 feet; thence S 57°21'35"E along said right-of-way 91.93 feet to a point 134.58 feet northwest of, at a right angle to the northwest edge of pavement of Interstate Highway 24; thence S 14°38'25"W, continue along said right-of-way 314.37 feet; thence S 19°43'34"W, 293.41 feet; thence S 21°38'58"W a distance of 1308.00 feet more or less to the point of intersection of said northwesterly right-of-way of Interstate Highway 24 with the easterly mean low water line of the Tennessee River; thence northerly along the irregular aforementioned low water line, described approximately by the following meander line; thence N 11°10'00"E, 295.00 feet; thence N 03°40'00"E, 475.00 feet; thence N 06°00'00"E, 370.00 feet; thence N 20°14'00"E, 500.00 feet; thence N 13°30'00"E, 150.00 feet; thence N 11°30'00"W, 610 feet; thence N 20°30'00"W, 150.00 feet; thence N 15°42'00"W, 680.00 feet; thence N 08°47'30"W a distance of 221.29 feet to the point of intersection of the mean low water line of the Tennessee River and the northeasterly boundary of described property; thence S 65°19'27"E, 41.30 feet to a 3-1/2 inch capped pipe; thence continue S 65°19'27"E, 722.01 feet to a 3-1/2 inch capped pipe on the west boundary of Siskin Steel and Supply Company property; thence S 07°00'57"E along said west boundry 359.59 feet to a 3-1/2 inch capped pipe; thence S 65°19'27"E along the southwesterly boundary of said Siskin Steel Company property 386.51 feet to the Point of Beginning. Containing in all 27.95 acres.

Parcel 145-J-A-003 now owned by Gateway View LLC

For prior title see deed recorded in Book 3487, Page 521; from United States Pipe and Foundry Company to Walter Industries, Inc., in the Register's office, Hamilton County, Tennessee.

PARCEL 3

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence N 65°19'27"W along the southwesterly boundary of said Siskin Steel and Supply Company property 498.62 feet to a 3-1/2 inch capped pipe; thence N 07°00'57"W along the west boundary of said property 359.59 feet to a 3-1/2 inch capped pipe, said point being the Point of Beginning of the property herein described; thence N 65°19'27"W, 722.01 feet to a 3-1/2 inch capped pipe; thence continue N 65°19'27"W, 41.30 feet more or less to the mean low water line of the Tennessee River; thence northerly along the irregular aforementioned low

water line, described approximately by the following meander line; thence N 19°33'00"W, 125.00 feet; thence N 13°50'00"W, 400.00 feet; thence N 11°07'00"W, 545.00 feet; thence N 06°34'41"E, 21.55 feet to the intersection of the northerly boundary of U.S. Pipe and Foundry Company and southerly boundary of Combustion Engineering Company property with the mean low water line of the Tennessee River; thence N 78°47'53"E along the southerly boundary of Combustion Engineering Company property 78.27 feet to a 3 inch capped pipe; thence N 24°33'59"E along said property 559.20 feet to a 3 inch capped pipe on the southwesterly right-of-way of West 19th Street; thence S 65°26'01"E along the southwesterly boundary of West 19th Street 622.00 feet to a 3-1/2 inch capped pipe at the northwest corner of Ryerson Steel Company and northeast corner of U.S. Pipe and Foundary Company property; thence S 07°17'37"E along the boundary between said properties 893.15 feet to a 1 inch crimped pipe found 8.0 feet northeast of the centerline of a spur track; thence along the chord lines of an irregular curve to the left, parallel to said track, S 34°33'32"E, 100.00 feet; thence S 46°27'32"E, 100.00 feet; thence S 56°00'32"E, 100.00 feet; thence S 37°59'32"E, crossing aforementioned track, 178.50 feet to the northeasterly corner of Siskin Steel and Supply Company property; thence N 65°22'24"W, 324.79 feet to a 2-1/2 inch pipe on the northeast boundary of said property; thence continue N 65°22'24"W, 173.51 feet to the northwest corner of Siskin Steel property; thence S 07°00'57"E, 57.63 feet to a 5/8 inch rod on the west boundary of said property; thence continue S 07°00'57"E along said west boundary 567.18 feet to the Point of Beginning. Containing in all 30.11 acres.

PARCEL 1
TRACT A-003.01

For prior title see deed recorded in Book 3487, Page 521, from United States Pipe and Foundry Company to Walter Industries, Inc., in the Register's Office, Hamilton County, Tennessee.

C 7 6 8 5

IDENTIFICATION REFERENCE

NO TRANSFER TAX DUE
SARAH P. DeFRIESE
County Register

May 23 1 49 PM '88

SARAH P. DE FRIESE
REGISTER
HAMILTON COUNTY
STATE OF TENNESSEE

05/23/88 W/DD 21.00 **21.00 A

LT+E 880634
SDS

BOOK 3487 PAGE 521

Mail Tax Notices to:

United States Pipe and Foundry Company
Attn: E. J. Mize, Jr.
3300 First Avenue North
Birmingham, Alabama 35222

This instrument prepared by,
and to be returned to:

Bobby C. Underwood, Esquire
Bradley, Arant, Rose & White,
1400 Park Place Tower,
Birmingham, Alabama 35203

Property Address:

2701 Chestnut Street
Chattanooga, Tennessee

SPECIAL WARRANTY DEED

STATE OF TENNESSEE)

COUNTY OF HAMILTON)

THIS INDENTURE, made and entered into as of the 17th day of May, 1988, by and between UNITED STATES PIPE AND FOUNDRY COMPANY, a Delaware corporation ("Grantor") (said Grantor being formerly known as New Pipe Corporation, a Delaware corporation, a successor by merger to United States Pipe and Foundry Company, a New Jersey corporation), and WALTER INDUSTRIES, INC., whose address is 1500 N. Dale Mabry Highway, Tampa, Florida 33631, a Delaware corporation ("Grantee");

WHEREAS, Grantor has adopted a Plan of Complete Liquidation, and Grantee is the owner of all its capital stock;

WITNESSETH: That Grantor, pursuant to said Plan of Complete Liquidation and for and in consideration of the redemption of a portion of its Common Stock, par value $.01 per share, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell, convey, and confirm unto Grantee, its successors and assigns, all those tracts or parcels of land situated, lying and being in the County of Hamilton, State of Tennessee, as more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all improvements thereon and all rights, members and appurtenances in any manner appertaining or belonging to said property.

SUBJECT, HOWEVER, to (i) ad valorem taxes for the current tax year, a lien not yet due and payable, and (ii) existing covenants, easements, conditions, restrictions, reservations, rights and rights of way, including rail trackage agreements.

TO HAVE AND TO HOLD to Grantee, its successors and assigns, forever.

IN WITNESS WHEREOF, Grantor has caused this deed to be executed and

TAX MAP NUMBER
PART OF 145J-A-3 and 145N-A-1

attested and its corporate seal affixed by its duly authorized officers as of the date first above written.

UNITED STATES PIPE AND FOUNDRY COMPANY

By: _____
E. J. Mize, Vice President - Finance

ATTEST: _____
Joseph W. Spransy, Assistant Secretary

(CORPORATE SEAL)

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

Before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared E. J. Mize, Jr., with whom I am personally acquainted and who, upon oath, acknowledged himself to be Vice President of United States Pipe and Foundry Company, a Delaware corporation, the Grantor, and that he as such officer and with full authority, executed the same voluntarily for the purposes therein contained by signing the name of the corporation by himself as Vice President.

Given under my hand and official seal this 11th day of May, 1988.

_____
Notary Public

My Commission Expires: 3/11/92

[NOTARIAL SEAL]

I hereby swear or affirm that, to the best of affiant's knowledge, information, and belief, the actual consideration for this transfer or value of the property transferred, whichever is greater, is $ Exempt, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

_____
Affiant

Subscribed and sworn to before me this 11th day of May, 1988.

_____
Notary Public

EXHIBIT A
TO
DEED FROM: UNITED STATES PIPE AND FOUNDRY COMPANY
TO WALTER INDUSTRIES, INC.

All the following parcels of land lying and being in the City of Chattanooga, Hamilton County, Tennessee:

PARCEL 1

PARCEL 1-A:

A parcel of land bounded on the northwesterly side by the right-of-way of Interstate Highway 24 and on the northeasterly and easterly side by the right-of-way of the Alabama Great Southern Railroad Company and on the southeasterly side by the right-of-way of the Louisville and Nashville Railroad Company, and described more particularly as follows:

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence S 09°44'07"E along said westerly right-of-way of the Louisville and Nashville Railroad a distance of 113.24 feet to a new 3-1/2 inch capped pipe monument; thence S 44°29'15"E along said right-of-way 80.00 feet to a 4-1/2 inch monument; thence S 09°55'15"E, 39.28 feet to a 3-1/2 inch capped pipe; thence S 23°29'29"E, 85.55 feet to a 4-1/2 inch monument at the end of the westerly right-of-way of Louisville and Nashville Railroad Company and the beginning of the westerly right-of-way of the Alabama Great Southern Railroad Co.; thence S 09°54'03"E along said right-of-way 177.19 feet to a 4-1/2 inch U.S. Pipe and Foundry Company monument, said point being the Point of Beginning of the property herein described and the intersection of the westerly right-of-way of the A.G.S. Railroad Company and the southeasterly right-of-way of Highway I-24; thence S 09°57'59"E along the right-of-way of the A.G.S. Railroad 193.76 feet to a 4 inch capped pipe; thence S 09°57'31"E, 153.23 feet to a 4-1/2 inch monument; thence S 09°56'26"E, 388.45 feet to a 4-1/2 inch monument; thence S 09°56'29"E, 213.28 feet to a curve concave to the west having a radius of 692.45 feet; thence right 564.51 feet along said curve through a central angle of 46°42'34" to the point of tangency, said point being also the end of the right-of-way of the A.G.S. Railroad Company and the beginning of the Louisville and Nashville Railroad Co. right-of-way; thence S 36°46'05"W 905.34 feet along the Louisville and Nashville Railroad right-of-way to a 3-1/2 inch capped pipe; thence continue along said right-of-way S 36°46'05"W, 75.79 feet to a point; thence S 39°49'49"W, 100.00 feet; thence S 38°23'56"W, 40.27 feet; thence S 39°17'25"W, 50.28 feet to an old 3 inch open pipe; thence S 42°47'47"W, 50.47 feet to an old 3 inch capped pipe; thence S

46°41'12"W, 74.64 feet; thence S 48°18'29"W, 74.98 feet; thence S 48°17'44"W, 75.01 feet; thence S 50°28'14"W, 108.73 ft. to a 3-1/2 inch capped pipe; thence S 50°37'28"W, 668.13 feet to a 3 inch capped pipe at the intersection of the Louisville and Nashville Railroad Co. northwesterly right-of-way and the southeasterly right-of-way of Interstate Highway 24; thence N 22°33'24"E along a chord of a spiral curved aforementioned highway right-of-way 217.33 feet to the point of tangency; thence continue along said right-of-way N 21°38'58"E, 210.85 feet to a 1 inch pipe; thence continue along the previously described course 368.00 feet to a point; thence continue N 21°38'58"E, 340.00 feet to a 3-1/2 inch capped pipe; thence continue N 21°38'58"E, 1237.39 feet; thence N 23°37'56"E along said right-of-way 293.41 feet; thence N 31°34'17"E along said right-of-way 493.08 feet; thence N 40°39'40"E, 288.43 feet to the Point of Beginning. Containing in all 39.41 acres.

PARCEL 1-B:

A parcel of land bounded on the northerly side by the right-of-way of Interstate Highway 24, on the southeasterly side by the rights-of-way of Chestnut Street and the Louisville and Nashville Railroad, and on the westerly side by the right-of-way of the Louisville and Nashville Railroad, and described more particularly as follows:

Commence at a 4-1/2 inch U.S Pipe and Foundry Company monument at the northerlymost corner of said Company's Valve and Fitting Plant property (39.41 acres), said point being also the intersection of the southeasterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Alabama Great Southern Railroad Company; thence N 52°49'12"E, a distance of 62.03 feet to a 3-1/2 inch capped pipe, said point being the Point of Beginning of the property herein described and the intersection of the southerly right-of-way of Interstate Highway 24 and the easterly right-of-way of the Louisville and Nashville Railroad; thence N 73°38'33"E along the southerly right-of-way of said highway 362.18 feet; thence S 88°56'49"E along said right-of-way 342.58 feet; thence S 64°29'49"E, 147.45 feet to the intersection of the right-of-way of Interstate Highway 24 with the northwesterly right-of-way line of Chestnut Street, said right-of-way being 60 feet in width; thence S 24°29'07"W along the northwesterly right-of-way of Chestnut Street 1030.76 feet; thence S 65°35'29"E, 32.52 feet to the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°46'05"W along said right-of-way 414.55 feet to the intersection of said line with the curved easterly right-of-way of the Louisville and Nashville Railroad bearing northerly and northwesterly along the chord lines of an irregular curve as follows: thence N 08°35'23"E, 51.50 feet; thence N 03°26'25"E, 101.36 feet to a 5/8 inch rod; thence N 00°11'47"W, 50.04 feet to a 5/8 inch rod; thence N 04°01'11"W, 49.91 feet to a 5/8 inch rod; thence N 07°13'57"W, 50.07 feet to a 5/8 inch rod at the point of tangency; thence N 09°37'27"W, continue along said right-of-way 155.33 feet to a 3 inch capped pipe; thence N 10°04'37"W, 434.69 feet to a 3 inch capped pipe; thence N 18°13'25"W, 68.39 feet to a 3 inch capped pipe; thence continue along aforementioned right-of-way N 10°46'20"W, 309.11 feet to the Point of Beginning. Containing in all 12.98 acres.

PARCEL 1-C:

Begin at 3 inch capped pipe at the intersection of the northeasterly right-of-way of West 25th Street and the southeasterly right-of-way of Chestnut Street; thence N 24°29'07"E along said right-of-way of Chestnut Street 374.71 feet to a 3 inch capped pipe; thence S 65°47'14"E, 143.29 feet to a 3 inch capped pipe, said point being on the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°48'41"W along said right-of-way 384.40 feet to a 3 inch capped pipe on the northeasterly right-of-way of West 25th Street; thence N 65°22'28"W along said right-of-way 61.23 feet to the Point of Beginning. Containing in all 0.88 acres.

PARCEL 1-D:

A triangular parcel of land bounded on the northwest by Chestnut Street, on the northeast by West 25th Street, and on the southeast by the right-of-way of the Louisville and Nashville Railroad, and described more particularly as follows:

Begin at a 3-1/2 inch capped pipe at the intersection of the southwesterly right-of-way of West 25th Street and the Southeasterly right-of-way of Chestnut Street; thence S 65°30'53"E along said right-of-way of West 25th Street 50.32 feet to a 3-1/2 inch capped pipe on the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°49'55"W along said right-of-way 235.33 feet to a 3-1/2 inch capped pipe at the intersection of said right-of-way with the southeasterly right-of-way of Chestnut Street; thence N 24°29'07"E along the right-of-way of Chestnut Street 229.88 feet to the Point of Beginning. Containing in all 0.13 acres.

The total foregoing Parcels 1-A through 1-D containing in all 53.40 acres.

For prior title see deeds recorded Book I, Volume 20, Page 446, Book 1679, Page 288, Book 1755, Page 522, Book 1994, Page 352, Book 2369, Page 349 and Book 2386, Page 149, in the Register's Office, Hamilton County, Tennessee.

PARCEL 2

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence N 65°19'27"W along the right-of-way of Interstate Highway 24 and the southwest boundary of Siskin Steel and

Supply Company property a distance of 112.11 feet to a U.S. Pipe and Foundry Company monument at the intersection of the northwesterly right-of-way of said highway with the southwesterly boundary of Siskin Steel and Supply Co., said point being the Point of beginning of the property herein described; thence S 33°30'51"W along aforementioned right-of-way 810.07 feet; thence S 57°21'35"E along said right-of-way 91.93 feet to a point 134.58 feet northwest of, at a right angle to the northwest edge of pavement of Interstate Highway 24; thence S 14°38'25"W, continue along said right-of-way 314.37 feet; thence S 19°43'34"W, 293.41 feet; thence S 21°38'58"W a distance of 1308.00 feet more or less to the point of intersection of said northwesterly right-of-way of Interstate Highway 24 with the easterly mean low water line of the Tennessee River; thence northerly along the irregular aforementioned low water line, described approximately by the following meander line; thence N 11°10'00"E, 295.00 feet; thence N 03°40'00"E, 475.00 feet; thence N 06°00'00"E, 370.00 feet; thence N 20°14'00"E, 500.00 feet; thence N 13°30'00"E, 150.00 feet; thence N 11°30'00"W, 610 feet; thence N 20°30'00"W, 150.00 feet; thence N 15°42'00"W, 680.00 feet; thence N 08°47'30"W a distance of 221.29 feet to the point of intersection of the mean low water line of the Tennessee River and the northeasterly boundary of described property; thence S 65°19'27"E, 41.30 feet to a 3-1/2 inch capped pipe; thence continue S 65°19'27"E, 722.01 feet to a 3-1/2 inch capped pipe on the west boundary of Siskin Steel and Supply Company property; thence S 07°00'57"E along said west boundry 359.59 feet to a 3-1/2 inch capped pipe; thence S 65°19'27"E along the southwesterly boundary of said Siskin Steel Company property 386.51 feet to the Point of Beginning. Containing in all 27.95 acres.

For prior title see deeds recorded in Book I, Volume 20, Page 446; Book 1473, Page 130, Book 1473, Page 137 and Book 1515, Page 388, in the Register's Office, Hamilton County, Tennessee. Also see deed from American Pipe and Foundary dated August 1, 1899.

PARCEL 3

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence N 65°19'27"W along the southwesterly boundary of said Siskin Steel and Supply Company property 498.62 feet to a 3-1/2 inch capped pipe; thence N 07°00'57"W along the west boundary of said property 359.59 feet to a 3-1/2 inch capped pipe, said point being the Point of Beginning of the property herein described; thence N 65°19'27"W, 722.01 feet to a 3-1/2 inch capped pipe; thence continue N 65°19'27"W, 41.30 feet more or less to the mean low water line of the Tennessee River; thence northerly along the irregular aforementioned low

003.01

water line, described approximately by the following meander line; thence N 19°33'00"W, 125.00 feet; thence N 13°50'00"W, 400.00 feet; thence N 11°07'00"W, 545.00 feet; thence N 06°34'41"E, 21.55 feet to the intersection of the northerly boundary of U.S. Pipe and Foundry Company and southerly boundary of Combustion Engineering Company property with the mean low water line of the Tennessee River; thence N 78°47'53"E along the southerly boundary of Combustion Engineering Company property 78.27 feet to a 3 inch capped pipe; thence N 24°33'59"E along said property 559.20 feet to a 3 inch capped pipe on the southwesterly right-of-way of West 19th Street; thence S 65°26'01"E along the southwesterly boundary of West 19th Street 622.00 feet to a 3-1/2 inch capped pipe at the northwest corner of Ryerson Steel Company and northeast corner of U.S. Pipe and Foundary Company property; thence S 07°17'37"E along the boundary between said properties 893.15 feet to a 1 inch crimped pipe found 8.0 feet northeast of the centerline of a spur track; thence along the chord lines of an irregular curve to the left, parallel to said track, S 34°33'32"E, 100.00 feet; thence S 46°27'32"E, 100.00 feet; thence S 56°00'32"E, 100.00 feet; thence S 37°59'32"E, crossing aforementioned track, 178.50 feet to the northeasterly corner of Siskin Steel and Supply Company property; thence N 65°22'24"W, 324.79 feet to a 2-1/2 inch pipe on the northeast boundary of said property; thence continue N 65°22'24"W, 173.51 feet to the northwest corner of Siskin Steel property; thence S 07°00'57"E, 57.63 feet to a 5/8 inch rod on the west boundary of said property; thence continue S 07°00'57"E along said west boundary 567.18 feet to the Point of Beginning. Containing in all 30.11 acres.

For prior title see deeds recorded in Book 1473, Page 130, Book 1473, Page 137 and Book 1515, Page 388, in the Register's Office, Hamilton County, Tennessee. Also see Deeds in Book 1705, Page 348 and Book 2386, Page 149, said Register's Office.

C 7 6 8 4

NO TRANSFER TAX DUE
SARAH P. DeFRIESE
County Register

IDENTIFICATION REFERENCE

May 23 1 48 PM '88

SARAH P. DE FRIESE
REGISTER
HAMILTON COUNTY
STATE OF TENNESSEE

05/23/88 W/DD 21.00 **21.00 A

145N-A-005

	Pipe Properties, LLC a TN Limited liability company
8/31/2006	
8/31/2006	
1:52	
667/904	United States Pipe and Foundry Company, LLC.
5/23/1988	
1:49	
487/528	Walter Industries, Inc., a DE corporation
5/23/1988	
1:48	
487/521	United States Pipe and Foundry Company, a DE corporation
4/23/1971	United States Pipe and Foundry Company, LLC
5/26/1971	
1:57	
994/352	Ada R. Katchen, Widow + Devisee U/W Isaac Katchen [WB 15/176]

MWPS009977

Owner Name: PIPE PROPERTIES LLC .

Property Image

Property Address: 2500 CHESTNUT ST

Map:	Group:	Parcel:
145N	A	005
District:	**Property Type:**	**Land Use Code:**
1-CITY	10-INDUSTRIAL	462-MFG PARKING

Lot Size: 38X174IRR

Calc Acres: 0.1300

Subdivision:

Legal Description:

*ADJ LAND BY SURVEY 2007
TODD ADDN
PB5 PG3

Mailing Address:

0 P O BOX 6308
CHATTANOOGA, TN 37401

Sales Information

2 results.

DATE	CONSIDERATION	BOOK	PAGE
08/31/2006		8067	0904
01/01/1971	$5,000.00	1994	0352

Residential Building List

0 results.

Commercial Building List

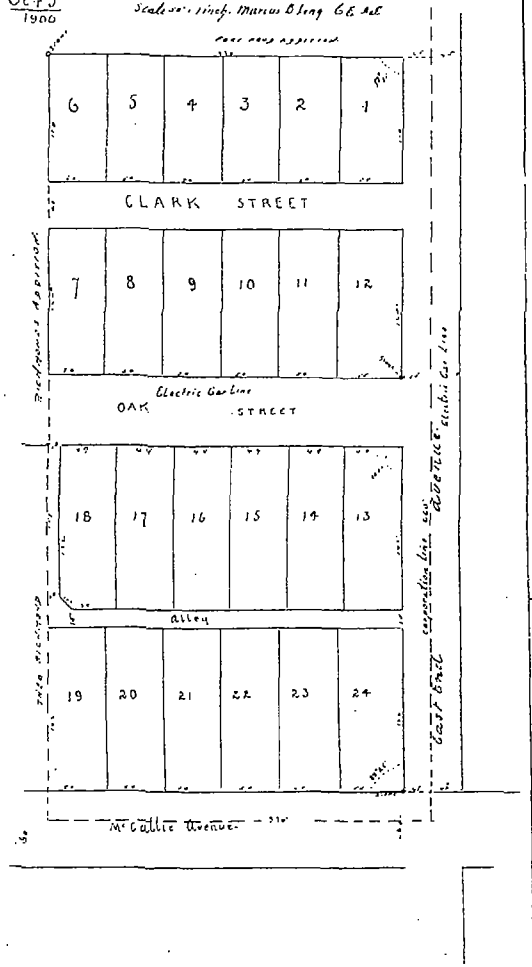
0 results.

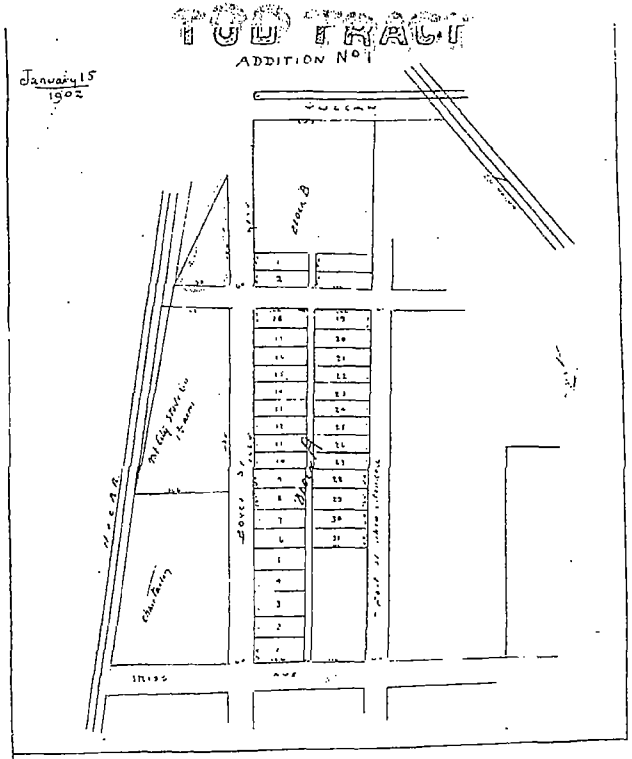
Miscellaneous Improvements List

1 results.

SEQUENCE	PURPOSE	YEAR BUILT
2	CONCRETE PARKING	1973

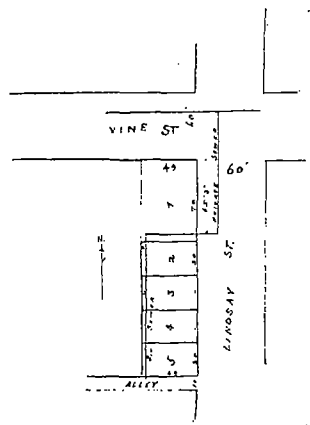
MWPS009978





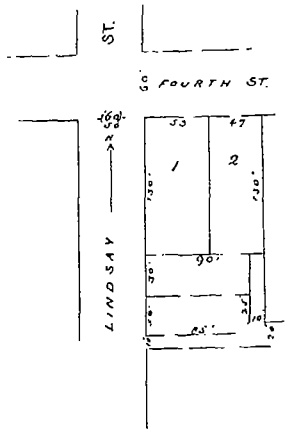
5-3

3



HIGHMAN'S SUB-DIVISION OF THE SOUTH ONE HUNDRED AND NINETY FEET OF THE EAST FORTY NINE FEET OF LOT NUMBER (6) FOUR BLOCK "D" LINDSAYS ADDITION TO CHATTANOOGA.

June 29 1905



HIGHMAN'S SUBDIVISION OF LOT NUMBER SIX (6) OF EAST FOURTH STREET LINDSAY'S ADDITION TO CHATTANOOGA, TENNESSEE.
JUNE 29, 1905.

Instrument: 2006083100279
Book and Page: GI 8067 904
Conveyance Tax $1,850.00
Deed Recording Fe $45.00
Data Processing F $2.00
Probate Fee $1.00
Total Fees: $1,898.00
User: DSKELTON
Date: 31-AUG-2006
Time: 01:52:56 P
Contact: Pam Hurst, Register
Hamilton County Tennessee

Return first

ADDRESS NEW OWNER(S) AS FOLLOWS:	SEND TAX BILLS TO:	MAP PARCEL NUMBER
Pipe Properties, LLC (NAME)	same (NAME)	145N-A-001
P.O. Box 6308 (STREET ADDRESS OR ROUTE NUMBER)	(STREET ADDRESS)	145N-A-002
Chattanooga, TN 37401 (CITY) (STATE) (ZIP)	(CITY) (STATE) (ZIP)	145N-A-004.01
		145N-A-005

PTA 108798 (2)

WARRANTY DEED

IN CONSIDERATION of One ($1.00) Dollar and other valuable considerations paid, the receipt of all of which is hereby acknowledged, UNITED STATES PIPE AND FOUNDRY COMPANY, LLC, an Alabama limited liability company, successor to United States Pipe and Foundry Company, Inc., an Alabama corporation, United States Pipe and Foundry Company, a Delaware corporation, and successor by name change from U.S. Pipe Holdings Corporation, a Delaware corporation, does hereby sell, transfer and convey unto PIPE PROPERTIES, LLC, a Tennessee limited liability company, the following described real estate located in the City of Chattanooga of Hamilton County, Tennessee:

Prepared By
WILLIAM DAVID JONES
ATTORNEY AT LAW
513 Georgia Avenue
CHATTANOOGA,TN 37405

See Exhibit "A" attached hereto for legal description.

See Exhibit "B" attached hereto for permitted exceptions to title.

Subject to any governmental zoning and subdivision ordinances or regulations in effect thereon.

The grantee herein assumes and agrees to pay all taxes assessed against said real estate for the year 2006, subject to the adjustment and proration between the parties based on the actual 2006 real estate taxes.

TO HAVE AND TO HOLD the same unto the said PIPE PROPERTIES, LLC, a Tennessee limited liability company, its successors and assigns, forever in fee simple.

United States Pipe and Foundry Company, LLC, an Alabama limited liability company, covenants that it is lawfully seized and possessed of said real estate, has full power and lawful authority to sell and convey the same, that the title thereto is clear, free and unencumbered, except as hereinabove mentioned, and it will forever warrant and defend the same against all lawful claims.

GM

Book and Page: GI 8067 905

IN WITNESS WHEREOF, United States Pipe and Foundry Company, LLC, an Alabama limited liability company has caused this instrument to be executed by its duly authorized officer as of the 31st day of August, 2006.

UNITED STATES PIPE AND FOUNDRY COMPANY, LLC,
an Alabama limited liability company

By _____
WALTER T. KNOLLENBERG, VICE PRESIDENT

STATE OF TENNESSEE
COUNTY OF CHATTANOOGA

Before me, Rebecca Lynn Stone, of the state and county aforesaid, personally appeared WALTER T. KNOLLENBERG with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon oath, acknowledged himself to be Vice President authorized to execute the instrument of the UNITED STATES PIPE AND FOUNDRY COMPANY, LLC, the within named bargainor, a limited liability company, and that he as such Vice President executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself as Vice President.

WITNESS my hand and seal, at office in Chattanooga, Tennessee, this 31st day of August, 2006.

_____
Notary Public

REBECCA LYNN STONE NOTARY PUBLIC AT LARGE HAMILTON CO. TN

My Commission Expires: June 23, 2007

STATE OF TENNESSEE
COUNTY OF HAMILTON

I hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is $500,000.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

_____
Affiant

Subscribed and sworn to before me on this the 31st day of August, 2006.

_____
Notary Public

REBECCA LYNN STONE NOTARY PUBLIC AT LARGE HAMILTON CO. TN

My Commission Expires: June 23, 2007

Exhibit "A"
(Legal Description for Pipe Properties, LLC)

Parcel 1-A

A parcel of land bounded on the Northwesterly side by the Northeasterly right-of-way of Interstate 24 and on the Northeasterly and Easterly sides by the right-of-way of the Louisville and Nashville Railroad Company. Said property being more particularly described as follows:

Beginning at a 5/8" rebar with cap at the intersection of the Northeasterly right-of-way of Interstate 24 and the Westerly right-of-way of the Louisville and Nashville Railroad Company; thence along said Westerly right-of-way the following sixteen calls: thence S 09°57'59" E 193.76 feet to a U.S. Pipe and Foundry Company monument; thence S 09°57'31" E 153.23 feet to a U.S. Pipe and Foundry Company monument; thence S 09°56'26" E 388.45 feet to a U.S. Pipe and Foundry Company monument; thence S 09°56'29" E 213.28 feet to a U.S. Pipe and Foundry Company monument at the beginning of a curve to the right; thence along said curve to the right having a radius of 692.45 feet, a length of 564.51 feet and a delta angle of 46°42'34" (Chord: S 13°24'46" E 549.00 feet) to a 5/8" rebar with cap; thence S 36°46'05" W 903.34 feet to a U.S. Pipe and Foundry Company monument; thence S 36°46'05" W 77.79 feet to a 5/8" rebar with cap; thence S 39°49'49" W 100.00 feet to a 5/8" rebar with cap; thence S 38°23'56" W 40.27 feet to a 5/8" rebar with cap; thence S 39°17'25" W 50.28 feet to a 5/8" rebar with cap; thence S 42°47'47" W 50.47 feet to a U.S. Pipe and Foundry Company monument; thence S 46°41'12" W 74.64 feet to a 5/8" rebar with cap; thence S 46°46'39" W 74.98 feet to a 5/8" rebar with cap; thence S 48°17'44" W 75.01 feet to a 5/8" rebar with cap; thence S 50°28'14" W 108.73 feet to a U.S. Pipe and Foundry Company monument; thence S 50°37'28" W 668.13 feet to a 5/8" rebar with cap at the intersection of the Southwesterly right-of-way of the Louisville and Nashville Railroad and the Southeasterly right-of-way of Interstate 24; thence along said Northeasterly right-of-way the following eight calls: thence N 22°33'24" E 217.33 feet to a U.S. Pipe and Foundry Company monument; thence N 21°38'58" E 210.85 feet to a U.S. Pipe and Foundry Company monument; thence N 21°38'58" E 368.00 feet to a 5/8" rebar with cap; thence N 21°38'58" E 340.00 feet to a 5/8" rebar with cap; thence N 21°38'58" E 1237.39 feet to a 5/8" rebar with cap; thence N 23°37'56" E 293.41 feet to a U.S. Pipe and Foundry Company monument; thence N 31°34'17" E 493.08 feet to a 5/8" rebar with cap; thence N 48°39'40" E 288.43 feet to the Point of Beginning. Described parcel of land containing 39.41 acres, more or less.

Exhibit "A" Book and Page: GI 8067 907
(Legal Description for Pipe Properties, LLC)

Parcel 1-B

A parcel of land bounded on the Northerly side by the Southerly right-of-way of Interstate 24, on the Southeasterly side by the rights-of-way of Chestnut Street and the Louisville and Nashville Railroad, and on the Westerly side by the right-of-way of the Louisville and Nashville Railroad. Said property being more particularly described as follows:

Commencing at a 5/8" rebar with cap at the intersection of the Northeasterly right-of-way of Interstate 24 and the Westerly right-of-way of the Louisville and Nashville Railroad Company; thence N 53°13'27" E 61.62 feet to a U.S. Pipe and Foundry Company monument at the intersection of the Southerly right-of-way of Interstate 24 and the Easterly right-of-way of the Louisville and Nashville Railroad Company, said point being the Point of Beginning of the property herein described; thence along said Southerly right-of-way the following three calls: thence N 73°36'26" E 362.45 feet to a 5/8" rebar with cap; thence S 88°57'50" E 342.50 feet to a U.S. Pipe and Foundry Company monument; thence S 65°06'08" E 147.58 feet to a 5/8" rebar with cap at the Northwesterly right-of-way of Chestnut Street; thence S 24°29'19" W along said Northwesterly right-of-way 1032.38 feet to a 5/8" rebar with cap; thence S 65°38'08" E 32.49 feet to a U.S. Pipe and Foundry Company monument on the Northwesterly right-of-way line of the Louisville and Nashville Railroad and the Southerly right-of-way of West 26th Street; thence S 36°46'05" W along said Northwesterly right-of-way 414.52 feet to a 5/8" rebar with cap at the intersection of said right-of-way and the Easterly right-of-way of the Louisville and Nashville Railroad; thence along said Easterly right-of-way the following nine calls: thence N 08°44'34" E 51.42 feet to a 5/8" rebar with cap; thence N 03°22'54" E 101.41 feet to an iron pipe; thence N 00°19'55" W 49.94 feet to an iron pipe; thence N 03°54'43" W 50.01 feet to an iron pipe; thence N 07°06'36" W 49.99 feet to a 5/8" rebar with cap; thence N 09°37'39" W 155.33 feet to a U.S. Pipe and Foundry Company monument; thence N 10°04'50" W 434.68 feet to a U.S. Pipe and Foundry Company monument; thence N 18°20'56" W 68.87 feet to a 5/8" rebar with cap; thence N 10°47'17" W 308.48 feet to the Point of Beginning. Described parcel of land containing 12.98 acres, more or less.

145-N-1602

Exhibit "A"
(Legal Description for Pipe Properties, LLC)

Book and Page: GI 8067 908

Parcel 1-C

A parcel of land bounded on the Northerly side by the Southerly boundary of Robmer property, on the Easterly side by the Northwesterly right-of-way of the Louisville and Nashville Railroad, on the Southerly side by the Northerly right-of-way of West 25th Street, and on the Westerly side by the Northeasterly right-of-way of Chestnut Street. Said property being more particularly described as follows:

145N.Acc4.9

Beginning at a U.S. Pipe and Foundry Company monument at the intersection of the Northerly right-of-way of West 25th Street and the Northeasterly right-of-way of Chestnut Street; thence N 24°29'31" E along said Northeasterly right-of-way 213.17 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way S 65°44'40" E along the Southerly boundary of Robmer property 107.96 feet to a U.S. Pipe and Foundry Company monument on the Northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°44'32" W along said Northwesterly right-of-way 218.65 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way N 65°27'07" W along the Northerly right-of-way of West 25th Street 61.57 feet to the Point of Beginning. Described parcel of land containing 0.42 acres, more or less.

Exhibit "A"

(Legal Description for Pipe Properties, LLC)

Parcel 1-D

Book and Page: GI 8067 909

A parcel of land bounded on the Northwesterly side by the Northeasterly right-of-way of Chestnut Street, on the Northeasterly side by the Southerly right-of-way of West 25th Street, and on the Southeasterly side by the Northwesterly right-of-way of the Louisville and Nashville Railroad. Said property being more particularly described as follows:

Beginning at a U.S. Pipe and Foundry Company monument at the intersection of the Southerly right-of-way of West 25th Street and the Northeasterly right-of-way of Chestnut Street; thence S 65°31'25" E along said Southerly right-of-way 50.26 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way S 36°48'38" W along the Northwesterly right-of-way of the Louisville and Nashville Railroad 235.36 feet to a U.S. Pipe and Foundry Company monument on the Northeasterly right-of-way of Chestnut Street; thence leaving said right-of-way N 24°28'47" E along said Northeasterly right-of-way 229.93 feet to the Point of Beginning. Described parcel of land containing 0.13 acres, more or less.

145 M. Acres although tax map shows distances that are less than described here.

Exhibit "A"
(Legal Description for Pipe Properties, LLC)
(Parcels 1-A, 1-B, 1-C & 1-D)
(Tax Map Parcel Nos. 145N-A-004.01,
145N-A-002 & 145N-A-005)

Together with appurtenant rights, benefits and easements in favor of Grantor as set out in Deed from U.S. Pipe and Foundry Company to the State of Tennessee for the use and benefit of the Department of Highways dated March 12, 1965 and recorded in Book 1619, Page 324, in the Register's Office of Hamilton County, Tennessee.

Together with appurtenant rights, benefits and easements in and to the 40 foot private street described in Deed from Genevieve Allan Montague to United States Cast Iron Pipe & Foundry Company dated February 24, 1926, and recorded in Book I, Volume 20, Page 446, in the Register's Office of Hamilton County, Tennessee.

Together with appurtenant rights, easements and benefits set out and/or reserved in Deed from United States Pipe and Foundry Company to SFSI, LLC dated May 17, 1996, and recorded in Book 4683, Page 950, in the Register's Office of Hamilton County, Tennessee.

Together with a perpetual, non-exclusive easement for purposes of ingress and egress over and across the "Access Road" as identified and located on Survey by Wesley M. James dated May 16, 2006, last revised August 29, 2006, Drawing No. 11433-2-207.

The Source of Grantor's interest is found in Deed recorded in Book 3487, Page 528, in the Register's Office of Hamilton County, Tennessee.

EXHIBIT "B"
(Permitted Exceptions)
(Pipe Properties, LLC Deed)
(Parcels 1-A, 1-B, 1-C & 1-D)
(Tax Map Parcel Nos. 145N-A-004.01,
145N-A-002 & 145N-A-005)

Right of way conveyed to A.G.S. Railway by deed of record in Book O, Volume 7, Page 398, in the Register's Office of Hamilton County, Tennessee. (Parcels 1-A and 1-B)

Rights of City of Chattanooga in Sewer Line traversing the Western portion of Parcel 1-B, as herein described (if not now included in the freeway right of way); and to Easement in favor of City of Chattanooga (Electric Power Board) for transmission lines along the Western extremity thereof. (Parcels 1-A and 1-B)

City of Chattanooga Ordinance No. 5272, reserving Easement in that part of Fort Street abandoned for existing sanitary sewer and other utilities therein, with the right to enter thereon for the purpose of repairing, enlarging, replacing and maintaining utility facilities therein, as shown on drawings attached thereto. (Parcel 1-B)

Easement to Electric Power Board in Book 2081, Page 694, abandoned and relocated at Book 2404, Page 897, in the Register's Office of Hamilton County, Tennessee. (Parcel 1-A)

Easement conveyed to the City of Chattanooga by instrument recorded in Book 1223, Page 48, in the Register's Office of Hamilton County, Tennessee. (Parcel 1-D)

All existing unrecorded railroad easements or side- track agreements, if any. (Parcels 1-A, 1-B, 1-C & 1-D)

Slope easement in favor of State of Tennessee Department of Highways as described in instrument dated July 7, 1965, in Book 1638, Page 73, in the Register's Office of Hamilton County, Tennessee. (Parcels 1-A and 1-B))

Lease Agreements of record in Deed Book 6271, Page 351 and Book 6271, Page 356, in the Register's Office of Hamilton County, Tennessee. (Parcel 1-A)

Easement to City Water Company as found of record in Book 732, Page 325, in the Register's Office of Hamilton County, Tennessee. (Parcel 1-B)

Slope Easement and Sewer Easement from U.S. Pipe to State of Tennessee recorded in Book 1619, Page 324, said Register's Office. (Parcel 1-A)

Easement to railroad in Book 828, Page 139, in the Register's Office of Hamilton County, Tennessee. (Parcels 1-A and 1-B)

Control of access onto Interstate 24. (Parcels 1-A and 1-B)

The following matters shown on survey by Wesley M. James dated May 15, 2006, last revised August 29, 2006, Drawing No. 11433-2-207:

Parcel 1-A:	Overhead wires, railroad;
Parcel 1-B:	Encroachment of building onto CSTX railroad, overhead wires, EPB power line easement;
Parcel 1-C:	none
Parcel 1-d:	Overhead wires.

Parcel 1-A: Access to Parcel 1-A is not warranted.

EXHIBIT "B"
(Permitted Exceptions)
(Pipe Properties, LLC Deed)
(Parcels 1-A, 1-B, 1-C & 1-D)
(Tax Map Parcel Nos. 145N-A-004.01,
145N-A-002 & 145N-A-005)

Restrictive Covenants

The Grantee covenants not to sell, transfer, convey, or otherwise dispose of any portion of the underlying land (not including fixtures, improvements or personal property) being a part of the Real Property until the Grantee has obtained the substitution of Grantee for Grantor on the Tennessee Department of Environment and Conservation ("TDEC") permit for the landfill located on the Landfill Property (as defined in Paragraph 10(a) of that certain Property Purchase Agreement dated May 18, 2006, between the Grantor and Grantee) and the release of all of Seller's financial assurance obligations, as listed on Exhibit J of said Property Purchase Agreement, in connection with the closure of the landfill located on the Landfill Property in accordance with the provisions of Paragraph 12 of said Property Purchase Agreement.

For a period ending on the third anniversary of the date of this Deed, Grantee agrees not to sell (i) any portion of the underlying land (not including fixtures, improvements or personal property) being a part of the Real Property; or (ii) the tooling or patterns for the products described in Exhibit L of said Property Purchase Agreement (the "Products"), to any transferee which Grantee knows will use the transferred land, tooling or patterns to manufacture or sell products which are the same as, or substantially similar to, the Products. Grantee may rely on a signed statement from a transferee confirming that the transferee will not use the transferred land, tooling or patterns for the restricted purposes.

CHAMBLISS, BAHNER & STOPHEL, P.C.
MERITAS LAW FIRMS WORLDWIDE

1000 Tallan Building
Two Union Square
Chattanooga, TN 37402
Tel 423.756.3000
www.cbslawfirm.com

Frederick L. Hitchcock
Tel 423.757.0222
Fax 423.508.1222
rhitchcock@cbslawfirm.com

May 18, 2007

VIA FACSIMILE AND USPS
Mr. Michael C. Mallen
Perimeter Properties, LLC
1810 Chestnut Street
Chattanooga, TN 37408

COPY

Re: UST Fee Statement

Dear Mike:

I have enclosed a copy of a letter that we have transmitted today reminding TDEC that you were the owners of the underground storage tanks and have been since August 31, 2006. I assume that these were appropriately registered at the time of your purchase, so I do not understand why the bills continue to arrive.

Please call me if you have any questions concerning any aspects of this matter.

With best regards, I am

Sincerely yours,

Frederick L. Hitchcock

FLH/sjw
Enclosure
cc: Mr. Scot Aler (w/encl.)

STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
Division of Fiscal Services—Consolidated Fee Section
401 Church Street, 14th Floor, L & C Tower
Nashville, TN 37243

C.O. ENGR.
RECEIVED
MAY 17 2007

April 1, 2007

Certified Mail Receipt#: 7160 3901 9845 1754

303596
United States Pipe and Foundry Co.
Attn: Dennis Urbaniak
2701 Chestnut St.
Chattanooga, TN 37408

RE: Facility ID#: **3330761** Invoice#: **INV00000000073953**

NOTICE OF NON-COMPLIANCE

Dear United States Pipe and Foundry Co.:

UST CERTIFICATE

According to our records, you have not made a timely and sufficient application for a new UST certificate because you have not paid the annual fees and late payment penalties invoice that the division sent to you last month. Payment was required to have been received by March 31, 2007. Because this deadline was not met, a late penalty of five percent (5%) has been added to the original amount on the enclosed billing statement.

In order to receive your new UST certificate and to avoid having an additional late penalty of five percent (5%) assessed against you, the full payment of all annual fees and late penalties, as listed on the enclosed billing statement, must be received at the above referenced address by **April 21, 2007.** Make check payable to "Treasurer, State of Tennessee" and return the enclosed billing statement along with the payment to the above address.

If you do not timely pay all annual fees and late payment penalties, your current UST certificate will expire, and you will not be issued a new one. This will result in serious consequences including but not limited to your facility being put on the Division's web site to inform fuel distributors that they cannot legally deliver fuel to your facility.

FINANCIAL RESPONSIBILITY AND FUND ELIGIBILITY

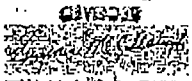
This letter is also to notify you that you are not in compliance with the requirements for maintaining Financial Responsibility and Fund Eligibility. If your site is eligible for reimbursement from the Fund and you do not timely pay all annual fees, a **Notice of Fund Ineligibility** will be issued and enforcement actions, which include civil penalty assessments, may be initiated against you. These

 (Continued on the back)

penalties can be substantial. Additionally, if there is an accidental release of petroleum at this facility while you are not eligible for reimbursement from the State Fund, you will be responsible for all investigation and corrective action costs related to the cleanup and any third party liability claims (the results of lawsuits filed against you claiming personal injury or property damage).

If you have any questions regarding this letter, please contact the Consolidated Fee Section at (615) 532-0065 or (615) 532-3831. If you have any non-fee-related UST questions, please call Dan Ostrander in the Division of Underground Storage Tanks at (615) 532-0982.

Sincerely,



Eugenia McCullough, ASA II/Fee Coordinator
Division of Fiscal Services – Consolidated Fee Section

United States Pipe and Foundry Company, LLC.

3300 First Avenue North 35222

P.O. Box 10406

Birmingham, Alabama 35202

Facsimile Transmission

To: Firm Name: Rick Hitchcock

Attention: _____

Fax Number: _____

From: Scot Aler

Special Instructions: _____

Number of pages to Follow: _____

Date: _____

Our Telephone Number: 205.254.7401

Our Fax Number: 254.7405

STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
Division of Fiscal Services—Consolidated Fee Section
401 Church Street, 14th Floor, L & C Tower
Nashville, TN 37243

E.O. ENG2
RECEIVED

April 1, 2007

Certified Mail Receipt#: **7160 3901 9849 7015 4754** MAY 15 2007

303596
United States Pipe and Foundry Co.
Attn: Dennis Urbaniak
2701 Chestnut St.
Chattanooga, TN 37408

RE: Facility ID#: **3330761** Invoice#: **INV00000000073953**

NOTICE OF NON-COMPLIANCE

Dear United States Pipe and Foundry Co.:

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(Continued on the back)

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Sincerely,

Eugenia McCullough

Eugenia McCullough, ASA II/Fee Coordinator
Division of Fiscal Services – Consolidated Fee Section

STATEMENT

Date:	4/1/2007
Customer ID:	303596

TN Dept Env & Conservation
14th Floor, L&C Tower
401 Church Street
Nashville TN 37243
(615) 532-0065 Ext. 0000

UNITED STATES PIPE AND FOUNDRY CO
ATTN: DENNIS URBANIAK
2701 CHESTNUT ST.
CHATTANOOGA TN 37408

DUE DATE: 04/21/07

Document No.	Date	Code	Description	Reference	Amount	Balance
INV00000000036237	7/1/2005	INV	INV00000000036237		$750.00	$750.00
RH011895979	8/1/2005	PMT	Applied: INV00000000036237		($750.00)	$0.00
FCHRG000000042858	8/17/2005	PI	UST Penalty Cycle 1	INV00000000036237	$37.50	$37.50
FCHRG000000043507	9/14/2005	PI	UST Penalty Cycle 2	INV00000000036237	$1.88	$39.38
RH011900797	9/30/2005	PMT	Applied: FCHRG000000042858	INV00000000036237	($37.50)	$1.88
RH011900797	9/30/2005	PMT	Applied: FCHRG000000043507	INV00000000036237	($1.88)	$0.00
FCHRG000000043877	10/12/2005	PI	UST Penalty Cycle 3	INV00000000036237	$1.97	$1.97
CREDT000000004914	10/19/2005	CR	Applied: FCHRG000000043877	INV00000000036237	($1.97)	$0.00
INV00000000054539	7/1/2006	INV	INV00000000054539		$750.00	$750.00
RH011925800	7/28/2006	PMT	Applied: INV00000000054539		($750.00)	$0.00
INV00000000073953	2/21/2007	INV	INV00000000073953		$500.00	$500.00
FCHRG000000075610	4/5/2007	PI	UST Penalty Cycle 1	INV00000000073953	$25.00	$525.00
					Amount Due:	$525.00

Current	31 - 60 Days	61 - 90 Days	91 and Over
$25.00	$500.00	$0.00	$0.00

Codes: INV = Sales / Invoices
SCH = Scheduled Payments
DR = Debit Memos
PI = Penalty Interest
SVC = Service / Repairs
WRN = Warranties
CR = Credit Memos
RTN = Returns
PMT = Payments

STATEMENT

Date:	4/1/2007
Customer ID:	303596

TN Dept Env & Conservation
14th Floor, L&C Tower
401 Church Street
Nashville TN 37243
(615) 532-0065 Ext. 0000

UNITED STATES PIPE AND FOUNDRY CO
ATTN: DENNIS URBANIAK
2701 CHESTNUT ST.
CHATTANOOGA TN 37408

DUE DATE: 04/21/07

Document No.	Date	Code	Description	Reference	Amount	Balance
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FCHRG000000043507	9/14/2005	PI	UST Penalty Cycle 2	INV00000000036237	$1.88	$39.38
RH011900797	9/30/2005	PMT	Applied: FCHRG000000042858	INV00000000036237	($37.50)	$1.88
RH011900797	9/30/2005	PMT	Applied: FCHRG000000043507	INV00000000036237	($1.88)	$0.00
FCHRG000000043877	10/12/2005	PI	UST Penalty Cycle 3	INV00000000036237	$1.97	$1.97
CREDT000000004914	10/19/2005	CR	Applied: FCHRG000000043877	INV00000000036237	($1.97)	$0.00
INV00000000054539	7/1/2006	INV	INV00000000054539		$750.00	$750.00
RH011925800	7/28/2006	PMT	Applied: INV00000000054539		($750.00)	$0.00
INV00000000073953	2/21/2007	INV	INV00000000073953		$500.00	$500.00
FCHRG000000075610	4/5/2007	PI	UST Penalty Cycle 1	INV00000000073953	$25.00	$525.00

REMITTANCE COPY
RETURN WITH PAYMENT

Amount Due:	$525.00

Current	31 - 60 Days	61 - 90 Days	91 and Over
$25.00	$500.00	$0.00	$0.00

Codes: INV = Sales / Invoices
SCH = Scheduled Payments
DR = Debit Memos
PI = Penalty Interest
SVC = Service / Repairs
WRN = Warranties
CR = Credit Memos
RTN = Returns
PMT = Payments

ITaE 880634
SDS

BOOK 3487 PAGE 528

Mail Tax Notices to:

United States Pipe and Foundry Company
Attn: E. J. Mize, Jr.
3300 First Avenue North
Birmingham, Alabama 35222

This instrument prepared by,
and to be returned to:

Bobby C. Underwood, Esquire
Bradley, Arant, Rose & White,
1400 Park Place Tower,
Birmingham, Alabama 35203

Property Address:

2701 Chestnut Street
Chattanooga, Tennessee

SPECIAL WARRANTY DEED

STATE OF TENNESSEE)

COUNTY OF HAMILTON)

THIS INDENTURE, made and entered into as of the 17th day of May, 1988, by and between WALTER INDUSTRIES, INC., a Delaware corporation ("Grantor"), and U. S. PIPE HOLDINGS CORPORATION, a Delaware corporation, 3300 First Avenue North, Birmingham, Alabama 35222 ("Grantee");

WHEREAS, Grantor has adopted a Plan of Complete Liquidation, and Grantee is the owner of a portion of Grantor's capital stock;

WITNESSETH: That Grantor, pursuant to said Plan of Complete Liquidation and for and in consideration of the redemption of a portion of its Common Stock, par value $.01 per share, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell, convey, and confirm unto Grantee, its successors and assigns, all those tracts or parcels of land situated, lying and being in the County of Hamilton, State of Tennessee, as more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all improvements thereon and all rights, members and appurtenances in any manner appertaining or belonging to said property.

SUBJECT, HOWEVER, to (i) ad valorem taxes for the current tax year, a lien not yet due and payable, and (ii) existing covenants, easements, conditions, restrictions, reservations, rights and rights of way, including rail trackage agreements.

TO HAVE AND TO HOLD to Grantee, its successors and assigns, forever.

IN WITNESS WHEREOF, Grantor has caused this deed to be executed and

TAX MAP NUMBER
PART OF 145J-A-3 and 145N-A-1

attested and its corporate seal affixed by its duly authorized officers as of the date first above written.

WALTER INDUSTRIES, INC.

By: W. N. Temple
W. N. Temple, Vice President

ATTEST: Joseph W. Stransky
Joseph W. Stransky, Assistant Secretary

(CORPORATE SEAL)

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

Before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared W. N. Temple, with whom I am personally acquainted and who, upon oath, acknowledged himself to be Vice President of Walter Industries, Inc., a Delaware corporation, the Grantor, and that he as such officer and with full authority, executed the same voluntarily for the purposes therein contained by signing the name of the corporation by himself as Vice President.

Given under my hand and official seal this 17th day of May, 1988.

Kathy Y. Ley
Notary Public

My Commission Expires: 3/11/92

[NOTARIAL SEAL]

I hereby swear or affirm that, to the best of affiant's knowledge, information, and belief, the actual consideration for this transfer or value of the property transferred, whichever is greater, is $ Exempt, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

W. N. Temple
Affiant

Subscribed and sworn to before me this 17th day of May, 1988.

Kathy Y. Ley
Notary Public

EXHIBIT A
TO
DEED FROM: WALTER INDUSTRIES, INC.
TO U.S. PIPE HOLDINGS CORPORATION

All the following parcels of land lying and being in the City of Chattanooga, Hamilton County, Tennessee:

PARCEL 1

PARCEL 1-A:

A parcel of land bounded on the northwesterly side by the right-of-way of Interstate Highway 24 and on the northeasterly and easterly side by the right-of-way of the Alabama Great Southern Railroad Company and on the southeasterly side by the right-of-way of the Louisville and Nashville Railroad Company, and described more particularly as follows:

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence S 09°44'07"E along said westerly right-of-way of the Louisville and Nashville Railroad a distance of 113.24 feet to a new 3-1/2 inch capped pipe monument; thence S 44°29'15"E along said right-of-way 80.00 feet to a 4-1/2 inch monument; thence S 09°55'15"E, 39.28 feet to a 3-1/2 inch capped pipe; thence S 23°29'29"E, 85.55 feet to a 4-1/2 inch monument at the end of the westerly right-of-way of Louisville and Nashville Railroad Company and the beginning of the westerly right-of-way of the Alabama Great Southern Railroad Co.; thence S 09°54'03"E along said right-of-way 177.19 feet to a 4-1/2 inch U.S. Pipe and Foundry Company monument, said point being the Point of Beginning of the property herein described and the intersection of the westerly right-of-way of the A.G.S. Railroad Company and the southeasterly right-of-way of Highway I-24; thence S 09°57'59"E along the right-of-way of the A.G.S. Railroad 193.76 feet to a 4 inch capped pipe; thence S 09°57'31"E, 153.23 feet to a 4-1/2 inch monument; thence S 09°56'26"E, 388.45 feet to a 4-1/2 inch monument; thence S 09°56'29"E, 213.28 feet to a curve concave to the west having a radius of 692.45 feet; thence right 564.51 feet along said curve through a central angle of 46°42'34" to the point of tangency, said point being also the end of the right-of-way of the A.G.S. Railroad Company and the beginning of the Louisville and Nashville Railroad Co. right-of-way; thence S 36°46'05"W 905.34 feet along the Louisville and Nashville Railroad right-of-way to a 3-1/2 inch capped pipe; thence continue along said right-of-way S 36°46'05"W, 75.79 feet to a point; thence S 39°49'49"W, 100.00 feet; thence S 38°23'56"W, 40.27 feet; thence S 39°17'25"W, 50.28 feet to an old 3 inch open pipe; thence S 42°47'47"W, 50.47 feet to an old 3 inch capped pipe; thence S

46°41'12"W, 74.64 feet; thence S 46°46'39"W, 74.98 feet; thence S 48°17'44"W, 75.01 feet; thence S 50°28'14"W, 108.73 ft. to a 3-1/2 inch capped pipe; thence S 50°37'28"W, 668.13 feet to a 3 inch capped pipe at the intersection of the Louisville and Nashville Railroad Co. northwesterly right-of-way and the southeasterly right-of-way of Interstate Highway 24; thence N 22°33'24"E along a chord of a spiral curved aforementioned highway right-of-way 217.33 feet to the point of tangency; thence continue along said right-of-way N 21°38'58"E, 210.85 feet to a 1 inch pipe; thence continue along the previously described course 368.00 feet to a point; thence continue N 21°38'58"E, 340.00 feet to a 3-1/2 inch capped pipe; thence continue N 21°38'58"E, 1237.39 feet; thence N 23°37'56"E along said right-of-way 293.41 feet; thence N 31°34'17"E along said right-of-way 493.08 feet; thence N 40°39'40"E, 288.43 feet to the Point of Beginning. Containing in all 39.41 acres.

PARCEL 1-B:

A parcel of land bounded on the northerly side by the right-of-way of Interstate Highway 24, on the southeasterly side by the rights-of-way of Chestnut Street and the Louisville and Nashville Railroad, and on the westerly side by the right-of-way of the Louisville and Nashville Railroad, and described more particularly as follows:

Commence at a 4-1/2 inch U.S Pipe and Foundry Company monument at the northerlymost corner of said Company's Valve and Fitting Plant property (39.41 acres), said point being also the intersection of the southeasterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Alabama Great Southern Railroad Company; thence N 52°49'12"E, a distance of 62.03 feet to a 3-1/2 inch capped pipe, said point being the Point of Beginning of the property herein described and the intersection of the southerly right-of-way of Interstate Highway 24 and the easterly right-of-way of the Louisville and Nashville Railroad; thence N 73°38'33"E along the southerly right-of-way of said highway 362.18 feet; thence S 88°56'49"E along said right-of-way 342.58 feet; thence S 64°29'49"E, 147.45 feet to the intersection of the right-of-way of Interstate Highway 24 with the northwesterly right-of-way line of Chestnut Street, said right-of-way being 60 feet in width; thence S 24°29'07"W along the northwesterly right-of-way of Chestnut Street 1030.76 feet; thence S 65°35'29"E, 32.52 feet to the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°46'05"W along said right-of-way 414.55 feet to the intersection of said line with the curved easterly right-of-way of the Louisville and Nashville Railroad bearing northerly and northwesterly along the chord lines of an irregular curve as follows: thence N 08°35'23"E, 51.50 feet; thence N 03°26'25"E, 101.36 feet to a 5/8 inch rod; thence N 00°11'47"W, 50.04 feet to a 5/8 inch rod; thence N 04°01'11"W, 49.91 feet to a 5/8 inch rod; thence N 07°13'57"W, 50.07 feet to a 5/8 inch rod at the point of tangency; thence N 09°37'27"W, continue along said right-of-way 155.33 feet to a 3 inch capped pipe; thence N 10°04'37"W, 434.69 feet to a 3 inch capped pipe; thence N 18°13'25"W, 68.39 feet to a 3 inch capped pipe; thence continue along aforementioned right-of-way N 10°46'20"W, 309.11 feet to the Point of Beginning. Containing in all 12.98 acres.

PARCEL 1-C:

Begin at 3 inch capped pipe at the intersection of the northeasterly right-of-way of West 25th Street and the southeasterly right-of-way of Chestnut Street; thence N 24°29'07"E along said right-of-way of Chestnut Street 374.71 feet to a 3 inch capped pipe; thence S 65°47'14"E, 143.29 feet to a 3 inch capped pipe, said point being on the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°48'41"W along said right-of-way 384.40 feet to a 3 inch capped pipe on the northeasterly right-of-way of West 25th Street; thence N 65°22'28"W along said right-of-way 61.23 feet to the Point of Beginning. Containing in all 0.38 acres.

PARCEL 1-D:

A triangular parcel of land bounded on the northwest by Chestnut Street, on the northeast by West 25th Street, and on the southeast by the right-of-way of the Louisville and Nashville Railroad, and described more particularly as follows:

Begin at a 3-1/2 inch capped pipe at the intersection of the southwesterly right-of-way of West 25th Street and the Southeasterly right-of-way of Chestnut Street; thence S 65°30'53"E along said right-of-way of West 25th Street 50.32 feet to a 3-1/2 inch capped pipe on the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°49'55"W along said right-of-way 235.33 feet to a 3-1/2 inch capped pipe at the intersection of said right-of-way with the southeasterly right-of-way of Chestnut Street; thence N 24°29'07"E along the right-of-way of Chestnut Street 229.88 feet to the Point of Beginning. Containing in all 0.13 acres.

The total foregoing Parcels 1-A through 1-D containing in all 53.40 acres.

For prior title see deed recorded Book 3487, Page 521, from United States Pipe and Foundry Company to Walter Industries, Inc., in the Register's Office, Hamilton County, Tennessee.

PARCEL 2

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence N 65°19'27"W along the right-of-way of Interstate Highway 24 and the southwest boundary of Siskin Steel and

Supply Company property a distance of 112.11 feet to a U.S. Pipe and Foundry Company monument at the intersection of the northwesterly right-of-way of said highway with the southwesterly boundary of Siskin Steel and Supply Co., said point being the Point of beginning of the property herein described; thence S 33°30'51"W along aforementioned right-of-way 816.07 feet; thence S 57°21'35"E along said right-of-way 91.93 feet to a point 134.58 feet northwest of, at a right angle to the northwest edge of pavement of Interstate Highway 24; thence S 14°38'25"W, continue along said right-of-way 314.37 feet; thence S 19°43'34"W, 293.41 feet; thence S 21°38'58"W a distance of 1308.00 feet more or less to the point of intersection of said northwesterly right-of-way of Interstate Highway 24 with the easterly mean low water line of the Tennessee River; thence northerly along the irregular aforementioned low water line, described approximately by the following meander line; thence N 11°10'00"E, 295.00 feet; thence N 03°40'00"E, 475.00 feet; thence N 06°00'00"E, 370.00 feet; thence N 20°14'00"E, 500.00 feet; thence N 13°30'00"E, 150.00 feet; thence N 11°30'00"W, 610 feet; thence N 20°30'00"W, 150.00 feet; thence N 15°42'00"W, 680.00 feet; thence N 08°47'30"W a distance of 221.29 feet to the point of intersection of the mean low water line of the Tennessee River and the northeasterly boundary of described property; thence S 65°19'27"E, 41.30 feet to a 3-1/2 inch capped pipe; thence continue S 65°19'27"E, 722.01 feet to a 3-1/2 inch capped pipe on the west boundary of Siskin Steel and Supply Company property; thence S 07°00'57"E along said west boundry 359.59 feet to a 3-1/2 inch capped pipe; thence S 65°19'27"E along the southwesterly boundary of said Siskin Steel Company property 386.51 feet to the Point of Beginning. Containing in all 27.95 acres.

Parcel 1
145-J-A-003
Now owned by
Gateway View LLC

For prior title see deed recorded in Book 3467, Page 521; from United States Pipe and Foundry Company to Walter Industries, Inc., in the Register's office, Hamilton County, Tennessee.

PARCEL 3

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence N 65°19'27"W along the southwesterly boundary of said Siskin Steel and Supply Company property 498.62 feet to a 3-1/2 inch capped pipe; thence N 07°00'57"W along the west boundary of said property 359.59 feet to a 3-1/2 inch capped pipe, said point being the Point of Beginning of the property herein described; thence N 65°19'27"W, 722.01 feet to a 3-1/2 inch capped pipe; thence continue N 65°19'27"W, 41.30 feet more or less to the mean low water line of the Tennessee River; thence northerly along the irregular aforementioned low

water line, described approximately by the following meander line; thence N 19°33'00"W, 125.00 feet; thence N 13°50'00"W, 400.00 feet; thence N 11°07'00"W, 545.00 feet; thence N 06°34'41"E, 21.55 feet to the intersection of the northerly boundary of U.S. Pipe and Foundry Company and southerly boundary of Combustion Engineering Company property with the mean low water line of the Tennessee River; thence N 78°47'53"E along the southerly boundary of Combustion Engineering Company property 78.27 feet to a 3 inch capped pipe; thence N 24°33'59"E along said property 559.20 feet to a 3 inch capped pipe on the southwesterly right-of-way of West 19th Street; thence S 65°26'01"E along the southwesterly boundary of West 19th Street 622.00 feet to a 3-1/2 inch capped pipe at the northwest corner of Ryerson Steel Company and northeast corner of U.S. Pipe and Foundary Company property; thence S 07°17'37"E along the boundary between said properties 893.15 feet to a 1 inch crimped pipe found 8.0 feet northeast of the centerline of a spur track; thence along the chord lines of an irregular curve to the left, parallel to said track, S 34°33'32"E, 100.00 feet; thence S 46°27'32"E, 100.00 feet; thence S 56°00'32"E, 100.00 feet; thence S 37°59'32"E, crossing aforementioned track, 178.50 feet to the northeasterly corner of Siskin Steel and Supply Company property; thence N 65°22'24"W, 324.79 feet to a 2-1/2 inch pipe on the northeast boundary of said property; thence continue N 65°22'24"W, 173.51 feet to the northwest corner of Siskin Steel property; thence S 07°00'57"E, 57.63 feet to a 5/8 inch rod on the west boundary of said property; thence continue S 07°00'57"E along said west boundary 567.18 feet to the Point of Beginning. Containing in all 30.11 acres.

For prior title see deed recorded in Book 3487, Page 521, from United States Pipe and Foundry Company to Walter Industries, Inc., in the Register's Office, Hamilton County, Tennessee.

C 7 6 8 5

IDENTIFICATION REFERENCE

NO TRANSFER TAX DUE
SARAH P. DeFRIESE
County Register

MAY 23 1 49 PM '88

SARAH P. DE FRIESE
REGISTER
HAMILTON COUNTY
STATE OF TENNESSEE

05/23/88 W/DD 21.00 **21.00 A

622
1755 / 600

TRANSFERRED FEB - 5 1968
S. L. Paul, Assessor of Property
By [illegible]
Deputy

A7187-A

IN CONSIDERATION of the sum of One Dollar ($1.00), cash in hand paid, and other good and valuable considerations, the receipt and sufficiency thereof being hereby acknowledged;

MUELLER CO., an Illinois Corporation, does hereby sell, transfer and convey unto UNITED STATES PIPE AND FOUNDRY COMPANY, a New Jersey Corporation, thefollowing described Real Estate, in the City ofChattanooga, Hamilton County, Tennessee:-

TRACT NO. ONE (1):
Lots Nos. Seven (7), Eight (8), Nine (9), Ten (10), Eleven (11), Twelve (12),Thirteen (13), Fourteen (14), Fifteen (15), Sixteen (16), Seventeen (17), and Eighteen (18), in Block "A", Todd's Addition to the City of Chattanooga, as shown by Plat of record in Plat Book 5, page 3, in the Register's Office of Hamilton County, Tennessee. According to said Plat, said lots form one parcel ofland fronting 626.5 feet on the Western line of Chestnut Street, and extending Back Westwardly, between parallel lines, along the Northern line of Twenty-fifth Street a distance of 126 feet, more or less, to the Eastern line of an alley.
REFERENCE is made for prior title to Book 1473, page 702, Book 1339, page 243, Book 1269, page 433, Book 1269, page 434, Book 1333,page 213, Book 1256, page 614, Book 1216, page 478, and Book 1030, page 412, in the Register's Office of Hamilton County, Tennessee.

Part Parcel 2

TRACT NO. TWO (2):
Lots Nos. Nineteen (19), Twenty (20), Twenty-one (21), Twenty-two (22), Twenty-three (23), Twenty-four (24), Twenty-five (25), Twenty-six (26), Twenty-seven (27), Twenty-eight (28), Twenty-Nine (29), Thirty (30), and Thirty-one (31), in Block "A", Todd's Addition to the City of Chattanooga, as shown by plat of record in Plat Book 5, page 3, in the Register'sOffice of Hamilton County, Tennessee. According to said plat, said lots form one parcel of land fronting 676.5 feet on the Eastern line of Fort Street, and extending back Eastwardly, between parallel lines, along the Northern line of Twenty-fifth Street a distance of 116 feet,more or less, to the Western line of an alley.
REFERENCE is made for prior title to Book 1030, page 412, Book 1138, page 135, Book 1138, page 438, and Book 1473, page 702, in the Register' s Office of Hamilton County, Tennessee.

Part Parcel 2

TRACT NO. THREE (3):
A tract of land comprised of Tracts or Parcels Nos. Two (2) and Four (4), and part of Nine (9), as described in Deed recordedin Book 1030, page 412, in the Register's Office of Hamilton County, Tennessee, andtract described in Deed recorded in Book 1216, page 373, and described as follows: BEGINNING at the Southwest intersection of Twenty-third and FortStreets; thence Southwardly along the Western line of Fort Street, 926.5 feet, more or less, to the Northern line of West Twenty-fifth Street; thence Westwardly along the Northern line of West Twenty-fifth Street 255 feet, more or less, to the Eastern line of the right-of-way of Louisville & Nashville Railroad; thence in a Northwestern direction along the Northeast line of said right-of-way 407.18 feet; thence in an Eastwardly direction, parallel with Twenty-fifth Street, 243 feet, more or less, to the East line of Carter Street; thence Northwardly alongthe East line of Carter Street 590.5 feet, more or less, to the South line of Twenty-third Street; thence Eastwardly along the South line of Twenty-third Street 242 feet, more or less,to the point of beginning.
SUBJECT TO the 50-foot strip running through the Western portion of said tract from North to South, shown as Carter Street on Hopkins' Atlas; it being the intent to include only such rights as may be appurtenant to the tract in said 50-foot strip of land, as included in the boundaries thereof, and subject to the right of City of Chattanooga, and of the public for street purposes;
EXCEPTING as may be set out at Tract No. Six (6) hereof.

Part Parcel 2

Drafted By
HALE & ELLIS, Attorneys
722 Cherry Street
Chattanooga, Tenn. 37402

TRACT NO. FOUR (4):
BEGINNING at the point of intersection of the Eastern line of the Louisville & Nashville Railroad right-of-way with the South line of what is known as Twenty-fifth Street, as shown on the City Atlas of Chattanooga; thence South 66 degrees 8 minutes East along the South line of said Twenty-fifth Street 509.56 feet to the Western line of Chestnut Street; thence along the Western line of Chestnut Street, South 23 degrees 52 minutes West 355.23 feet to a point in the Northern line of Tract No. One (1), as described in Deed from Columbian Iron Works to Mueller Co., recorded in Book 1030, page 412, in the Register's Office of Hamilton County, Tennessee; thencealong theNorthern line of said Tract No. One (1), South 67 degrees East 7.7 feet to the Northeast corner thereof in the Northwest line of a 25-foot roadway; thence South 35 degrees 27 minutes West along the Northwest line of said 25-foot roadway 363.8 feet to a steel rod on the East line of the right-of-way of Louisville & Nashville Railroad, as shown by Deed recorded in Book D, Vol. 3, page 310, in the Register's Office of Hamilton County, Tennessee; thence along the Eastern line of said right-of-way the following calls: North 3 degrees 32 minutes East 100 feet; North 1 degree 8 minutes West 50 feet; North 5 degrees 0 minutes West 50 feet; North 8 degrees 8 minutes West 50 feet; North 10 degrees 48 minutes West 155.3 feet to a 4-inch iron pipe on the North line of Tract No. One (1), as described in the Deed recorded in Book 1030, page 412, aforesaid, and being on the South lineof the second parcel of Tract No. Nine (9), as described in said Deed; thence with the Eastern line of said right-of-way, being the Western line

Part Parcel 2

of the second parcel of said Tract No. Nine (9), North 10 degrees 40 minutes West 434.7 feet to the point of beginning.
TOGETHER WITH a perpetual easement for ingress and egress for use only as a roadway of a 25-foot roadway running along the Southeast line of Tract No. One (1), as described in the Deed recorded in Book 1030, page 412, aforesaid, being the line in the description above which runs South 35 degrees 27 minutes West 363.8 feet.
REFERENCE is made for prior title to Book 1030, page 412, in the Register' s Office of Hamilton County, Tennessee.

TRACT NO. FIVE (5):
BEGINNING ata point in the Eastern line of Chestnut Street, which point is 549.93 feet Southwardly along said line from its intersection with the Southern line of West Twenty-third Street; thence South 66 degrees 47 minutes East 143 feet to an iron pin in the Western right-of-way line of the Louisville & Nashville Railroad, said point being the Southeast corner of what is known as the Noland tract; thence South 35 degrees 53 minutes West along said right-of-way 385 feet to a point in the Northern line of Twenty-fifth Street; thence North 66 degrees 18 minutes West 61 feet to an iron pin in the Eastern line of Chestnut Street; thence North 23 degrees, 30 minutes East alongChestnut Street 374.7 feet to the point of beginning.
REFERENCE is made for prior title to Book 1480, page 481, in the Register's Office of Hamilton County, Tennessee.

Parcels 145 M-A-cont-R-01

TRACT NO. SIX (6):
Parcel (a): All that part of West Twenty-fifth Street extending from the West line of Chestnut Street, as now open and in use, Westwardly to the Eastern line of the right-of-way of Louisville & Nashville Railroad, as abandoned by Ordinance No. 2801 of City of Chattanooga; further, by Ordinance No. 5272, which abandons West Twenty-fifth Street from the West line of Chestnut Street Westwardly to Fort Street;
Parcel (b): All that part of Fort Street from the North line of West Twenty-fifth Street Northwardly to the extension Westwardly of the South line of Lot Twenty-four (24), Block "A", Todd's Addition to Chattanooga, abandoned by Ordinance No. 2801; further, by Ordinance No. 5272, said Fort Street, from the intersection of the South line of the Freeway Southwardly on the East line 72 feet and West line 14 feet to a dead end, is abandoned;
Parcel (c): Ordinance No. 2801 purports to abandon a platted 12- foot unopened alley running North and South, lying between Fort Street and Carter Street, extending a distance of 450 feet Northwardly from Twenty-fifth Street; and Ordinance No. 5272 purports to abandon a 10-foot alley between Carter and FortStreets, from the South line of Freeway right-of-way and Southwardly 189 feet to a dead end;
Parcel (d): Ordinance No. 2801 purports to abandon a 10-foot alley extending Northwardly from the North line of Twenty-fifth Street to the extension Eastwardly and Westwardly of the South lines of Lots Thirteen (13) and Twenty-five (25), Block "A", Todd's Addition to Chattanooga, which alley separated Lots Fourteen (14) to Eighteen (18) from Lots Nineteen (19) to Twenty-three (23), in said Block "A": and Ordinance No. 5272 abandons a 10-foot alley between Chestnut and FortStreets and extending Northwardly from West Twenty-fifth Street to the South lineof Freeway right-of-way.

Part 002

REFERENCE is made for prior title to Ordinances Nos. 2801 and 5272, and Book 1030, page 412, in the Register's Office of Hamilton County, Tennessee.

EXCLUDING from the hereinabove described tracts and parcels of land those portions thereof acquired and taken under Final Judgement in the Case of The City of Chattanooga, Tennessee, etc. vs. Mueller Company, a Corporation, No. 123548 in the Circuit Court of Hamilton County, Tennessee; and,
SUBJECT TO the stipulations and provisions therein that the same is to be used for the purpose of construction of a controlled access highway, and all rights of ingress or egress to, from andacross the same, to and from the remaining abutting lands were acquired.

SUBJECT TO Easement of City Water Company, as conveyed to it by United State s Pipe and Foundry Company on September 9, 1939, as far as it applies to the 25-foot road or easement that runs along the Southeast line of the Southern portion of Tract No. Four (4), as herein described.

SUBJECTTO right-of-way conveyed to A. G. S. Railway by Deed recorded in Book O, Volume 7, page 398, Register's Office of Hamilton County, Tennessee, which traverses the Southwestern portion of the North part of Tract No. Four (4), as herein described.
(NOTE: This right-of-way connects with the A. G. S. or Belt Railway lying Westwardly and parallel to the Louisville & Nashville Railroad).

SUBJECT TO rights of City of Chattanooga in Sewer Line traversing the Western portion of Tract No. Three (3), as herein described (if not now included in the Freeway right-of-way); and to Easement in favor of City of Chattanooga (Electric Power Board) for transmission lines along the Western extremity thereof (if not now included in the Freeway right-of-way).

SUBJECT TO City of Chattanooga, in Ordinance No. 5272, reserving an Easement in that part of Fort Street abandoned for existing sanitary sewer and other utilities therein, with the right to enter thereon for the purpose of repairing, enlarging, replacing and maintaining utility facilities therein, as shown on Drawings attached thereto.

Taxes for the Year 1968 are assumed by the Grantee herein.

624

TO HAVE AND TO HOLD the said described Real Estate unto United States Pipe & Foundry Company, its successors and assigns, forever in fee simple.

MUELLER CO., covenants that it is lawfully seized and possessed of said described Real Estate; has good right and lawful authority to sell and convey the same; that the title thereto is clear, free and unencumbered, excepting as hereinabove set out; and it will forever warrant and defend the same against all other lawful claims.

IN WITNESS WHEREOF Mueller Co., has caused its corporate name to be signed by its duly authorized officers, on this the 24th day of January, 1968.

MUELLER CO.

By John F. Thurston
John F. Thurston, President

Attest Lyle R. Huff
Lyle R. Huff, Secretary

STATE OF ILLINOIS)
COUNTY OF MACON)

On this 24th day of January, 1968, before me personally appeared John F. Thurston and Lyle R. Huff with whom I am personally acquainted, and who upon oath acknowledged themselves to be the President and Secretary, respectively, of Mueller Co., the within named bargainor, a corporation, and that they as such officers being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by themselves as such officers.

IN WITNESS WHEREOF I have hereunto set my hand and Notarial Seal.

Jane Crayton
Notary Public

My commission expires:

October 22, 1969.

STATE OF ILLINOIS)
COUNTY OF MACON)

I hereby swear or affirm that the actual consideration of this transfer or value of the property transferred, whichever is greater, is $ 500,000.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

Lyle R. Huff
Affiant

Subscribed and sworn to before me, on this 24th day of January, 1968.

Jane Crayton
Notary Public

My commission expires:

October 22, 1969.

TAX 1,300.00 FEE 5.00 TOTAL 1,300.50

FEB 5 1968

DOROTHY P. BRAMMER
COUNTY REGISTER
HAMILTON COUNTY, TENN.

STATE OF TENNESSEE, HAMILTON COUNTY: The above instrument and certificate were filed Feb. 5, 1968 at 10:25 AM. entered in Note Book No. 60 Page IV and recorded in Record Book 1755 Page 622. WITNESS my hand at office in Chattanooga, Tennessee. Dorothy P. Brammer Register

MWPS010006

LT+E 880634
SDS

BOOK 3487 PAGE 521

Mail Tax Notices to:

United States Pipe and Foundry Company
Attn: E. J. Mize, Jr.
3300 First Avenue North
Birmingham, Alabama 35222

This instrument prepared by, and to be returned to:

Bobby C. Underwood, Esquire
Bradley, Arant, Rose & White,
1400 Park Place Tower,
Birmingham, Alabama 35203

Property Address:

2701 Chestnut Street
Chattanooga, Tennessee

SPECIAL WARRANTY DEED

STATE OF TENNESSEE)

COUNTY OF HAMILTON)

THIS INDENTURE, made and entered into as of the 17th day of May, 1988, by and between UNITED STATES PIPE AND FOUNDRY COMPANY, a Delaware corporation ("Grantor") (said Grantor being formerly known as New Pipe Corporation, a Delaware corporation, a successor by merger to United States Pipe and Foundry Company, a New Jersey corporation), and WALTER INDUSTRIES, INC., whose address is 1500 N. Dale Mabry Highway, Tampa, Florida 33631, a Delaware corporation ("Grantee");

WHEREAS, Grantor has adopted a Plan of Complete Liquidation, and Grantee is the owner of all its capital stock;

WITNESSETH: That Grantor, pursuant to said Plan of Complete Liquidation and for and in consideration of the redemption of a portion of its Common Stock, par value $.01 per share, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell, convey, and confirm unto Grantee, its successors and assigns, all those tracts or parcels of land situated, lying and being in the County of Hamilton, State of Tennessee, as more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all improvements thereon and all rights, members and appurtenances in any manner appertaining or belonging to said property.

SUBJECT, HOWEVER, to (i) ad valorem taxes for the current tax year, a lien not yet due and payable, and (ii) existing covenants, easements, conditions, restrictions, reservations, rights and rights of way, including rail trackage agreements.

TO HAVE AND TO HOLD to Grantee, its successors and assigns, forever.

IN WITNESS WHEREOF, Grantor has caused this deed to be executed and

TAX MAP NUMBER
PART OF 145J-A-3 and 145N-A-1

attested and its corporate seal affixed by its duly authorized officers as of the date first above written.

UNITED STATES PIPE AND FOUNDRY COMPANY

By: _____
E. J. Mize, Vice President - Finance

ATTEST: _____
Joseph W. Spransy, Assistant Secretary

(CORPORATE SEAL)

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

Before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared E. J. Mize, Jr., with whom I am personally acquainted and who, upon oath, acknowledged himself to be Vice President of United States Pipe and Foundry Company, a Delaware corporation, the Grantor, and that he as such officer and with full authority, executed the same voluntarily for the purposes therein contained by signing the name of the corporation by himself as Vice President.

Given under my hand and official seal this 17th day of May, 1988.

_____
Notary Public

My Commission Expires: 3/11/92

[NOTARIAL SEAL]

I hereby swear or affirm that, to the best of affiant's knowledge, information, and belief, the actual consideration for this transfer or value of the property transferred, whichever is greater, is $ Exempt, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

_____
Affiant

Subscribed and sworn to before me this 17th day of May, 1988.

_____
Notary Public

EXHIBIT A
TO
DEED FROM: UNITED STATES PIPE AND FOUNDRY COMPANY
TO WALTER INDUSTRIES, INC.

All the following parcels of land lying and being in the City of Chattanooga, Hamilton County, Tennessee:

PARCEL 1

PARCEL 1-A:

A parcel of land bounded on the northwesterly side by the right-of-way of Interstate Highway 24 and on the northeasterly and easterly side by the right-of-way of the Alabama Great Southern Railroad Company and on the southeasterly side by the right-of-way of the Louisville and Nashville Railroad Company, and described more particularly as follows:

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence S 09°44'07"E along said westerly right-of-way of the Louisville and Nashville Railroad a distance of 113.24 feet to a new 3-1/2 inch capped pipe monument; thence S 44°29'15"E along said right-of-way 80.00 feet to a 4-1/2 inch monument; thence S 09°55'15"E, 39.28 feet to a 3-1/2 inch capped pipe; thence S 23°29'29"E, 85.55 feet to a 4-1/2 inch monument at the end of the westerly right-of-way of Louisville and Nashville Railroad Company and the beginning of the westerly right-of-way of the Alabama Great Southern Railroad Co.; thence S 09°54'03"E along said right-of-way 177.19 feet to a 4-1/2 inch U.S. Pipe and Foundry Company monument, said point being the Point of Beginning of the property herein described and the intersection of the westerly right-of-way of the A.G.S. Railroad Company and the southeasterly right-of-way of Highway I-24; thence S 09°57'59"E along the right-of-way of the A.G.S. Railroad 193.76 feet to a 4 inch capped pipe; thence S 09°57'31"E, 153.23 feet to a 4-1/2 inch monument; thence S 09°56'26"E, 388.45 feet to a 4-1/2 inch monument; thence S 09°56'29"E, 213.28 feet to a curve concave to the west having a radius of 692.45 feet; thence right 564.51 feet along said curve through a central angle of 46°42'34" to the point of tangency, said point being also the end of the right-of-way of the A.G.S. Railroad Company and the beginning of the Louisville and Nashville Railroad Co. right-of-way; thence S 36°46'05"W 905.34 feet along the Louisville and Nashville Railroad right-of-way to a 3-1/2 inch capped pipe; thence continue along said right-of-way S 36°46'05"W, 75.79 feet to a point; thence S 39°49'49"W, 100.00 feet; thence S 38°23'56"W, 40.27 feet; thence S 39°17'25"W, 50.28 feet to an old 3 inch open pipe; thence S 42°47'47"W, 50.47 feet to an old 3 inch capped pipe; thence S

46°41'12"W, 74.64 feet; thence S 46°46'39"W, 74.98 feet; thence S 48°17'44"W, 75.01 feet; thence S 50°28'14"W, 108.73 ft. to a 3-1/2 inch capped pipe; thence S 50°37'28"W, 668.13 feet to a 3 inch capped pipe at the intersection of the Louisville and Nashville Railroad Co. northwesterly right-of-way and the southeasterly right-of-way of Interstate Highway 24; thence N 22°33'24"E along a chord of a spiral curved aforementioned highway right-of-way 217.33 feet to the point of tangency; thence continue along said right-of-way N 21°38'58"E, 210.85 feet to a 1 inch pipe; thence continue along the previously described course 368.00 feet to a point; thence continue N 21°38'58"E, 340.00 feet to a 3-1/2 inch capped pipe; thence continue N 21°38'58"E, 1237.39 feet; thence N 23°37'56"E along said right-of-way 293.41 feet; thence N 31°34'17"E along said right-of-way 493.08 feet; thence N 40°39'40"E, 288.43 feet to the Point of Beginning. Containing in all 39.41 acres.

PARCEL 1-B:

A parcel of land bounded on the northerly side by the right-of-way of Interstate Highway 24, on the southeasterly side by the rights-of-way of Chestnut Street and the Louisville and Nashville Railroad, and on the westerly side by the right-of-way of the Louisville and Nashville Railroad, and described more particularly as follows:

Commence at a 4-1/2 inch U.S Pipe and Foundry Company monument at the northerlymost corner of said Company's Valve and Fitting Plant property (39.41 acres), said point being also the intersection of the southeasterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Alabama Great Southern Railroad Company; thence N 52°49'12"E, a distance of 62.03 feet to a 3-1/2 inch capped pipe, said point being the Point of Beginning of the property herein described and the intersection of the southerly right-of-way of Interstate Highway 24 and the easterly right-of-way of the Louisville and Nashville Railroad; thence N 73°38'33"E along the southerly right-of-way of said highway 362.18 feet; thence S 88°56'49"E along said right-of-way 342.58 feet; thence S 64°29'49"E, 147.45 feet to the intersection of the right-of-way of Interstate Highway 24 with the northwesterly right-of-way line of Chestnut Street, said right-of-way being 60 feet in width; thence S 24°29'07"W along the northwesterly right-of-way of Chestnut Street 1030.76 feet; thence S 65°35'29"E, 32.52 feet to the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°46'05"W along said right-of-way 414.55 feet to the intersection of said line with the curved easterly right-of-way of the Louisville and Nashville Railroad bearing northerly and northwesterly along the chord lines of an irregular curve as follows: thence N 08°35'23"E, 51.50 feet; thence N 03°26'25"E, 101.36 feet to a 5/8 inch rod; thence N 00°11'47"W, 50.04 feet to a 5/8 inch rod; thence N 04°01'11"W, 49.91 feet to a 5/8 inch rod; thence N 07°13'57"W, 50.07 feet to a 5/8 inch rod at the point of tangency; thence N 09°37'27"W, continue along said right-of-way 155.33 feet to a 3 inch capped pipe; thence N 10°04'37"W, 434.69 feet to a 3 inch capped pipe; thence N 18°13'25"W, 68.39 feet to a 3 inch capped pipe; thence continue along aforementioned right-of-way N 10°46'20"W, 309.11 feet to the Point of Beginning. Containing in all 12.98 acres.

PARCEL 1-C:

Begin at 3 inch capped pipe at the intersection of the northeasterly right-of-way of West 25th Street and the southeasterly right-of-way of Chestnut Street; thence N 24°29'07"E along said right-of-way of Chestnut Street 374.71 feet to a 3 inch capped pipe; thence S 65°47'14"E, 143.29 feet to a 3 inch capped pipe, said point being on the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°48'41"W along said right-of-way 384.40 feet to a 3 inch capped pipe on the northeasterly right-of-way of West 25th Street; thence N 65°22'28"W along said right-of-way 61.23 feet to the Point of Beginning. Containing in all 0.83 acres.

PARCEL 1-D:

A triangular parcel of land bounded on the northwest by Chestnut Street, on the northeast by West 25th Street, and on the southeast by the right-of-way of the Louisville and Nashville Railroad, and described more particularly as follows:

Begin at a 3-1/2 inch capped pipe at the intersection of the southwesterly right-of-way of West 25th Street and the Southeasterly right-of-way of Chestnut Street; thence S 65°30'53"E along said right-of-way of West 25th Street 50.32 feet to a 3-1/2 inch capped pipe on the northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°49'55"W along said right-of-way 235.33 feet to a 3-1/2 inch capped pipe at the intersection of said right-of-way with the southeasterly right-of-way of Chestnut Street; thence N 24°29'07"E along the right-of-way of Chestnut Street 229.86 feet to the Point of Beginning. Containing in all 0.13 acres.

The total foregoing Parcels 1-A through 1-D containing in all 53.40 acres.

For prior title see deeds recorded Book I, Volume 20, Page 446, Book 1679, Page 288, Book 1755, Page 622, Book 1994, Page 352, Book 2369, Page 349 and Book 2386, Page 149, in the Register's Office, Hamilton County, Tennessee.

PARCEL 2

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence N 65°19'27"W along the right-of-way of Interstate Highway 24 and the southwest boundary of Siskin Steel and

Supply Company property a distance of 112.11 feet to a U.S. Pipe and Foundry Company monument at the intersection of the northwesterly right-of-way of said highway with the southwesterly boundary of Siskin Steel and Supply Co., said point being the Point of beginning of the property herein described; thence S 33°30'51"W along aforementioned right-of-way 810.07 feet; thence S 57°21'35"E along said right-of-way 91.93 feet to a point 134.58 feet northwest of, at a right angle to the northwest edge of pavement of Interstate Highway 24; thence S 14°38'25"W, continue along said right-of-way 314.37 feet; thence S 19°43'34"W, 293.41 feet; thence S 21°38'58"W a distance of 1308.00 feet more or less to the point of intersection of said northwesterly right-of-way of Interstate Highway 24 with the easterly mean low water line of the Tennessee River; thence northerly along the irregular aforementioned low water line, described approximately by the following meander line; thence N 11°10'00"E, 295.00 feet; thence N 03°40'00"E, 475.00 feet; thence N 06°00'00"E, 370.00 feet; thence N 20°14'00"E, 500.00 feet; thence N 13°30'00"E, 150.00 feet; thence N 11°30'00"W, 610 feet; thence N 20°30'00"W, 150.00 feet; thence N 15°42'00"W, 680.00 feet; thence N 08°47'30"W a distance of 221.29 feet to the point of intersection of the mean low water line of the Tennessee River and the northeasterly boundary of described property; thence S 65°19'27"E, 41.30 feet to a 3-1/2 inch capped pipe; thence continue S 65°19'27"E, 722.01 feet to a 3-1/2 inch capped pipe on the west boundary of Siskin Steel and Supply Company property; thence S 07°00'57"E along said west boundry 359.59 feet to a 3-1/2 inch capped pipe; thence S 65°19'27"E along the southwesterly boundary of said Siskin Steel Company property 386.51 feet to the Point of Beginning. Containing in all 27.95 acres.

For prior title see deeds recorded in Book I, Volume 20, Page 446; Book 1473, Page 130, Book 1473, Page 137 and Book 1515, Page 388, in the Register's Office, Hamilton County, Tennessee. Also see deed from American Pipe and Foundary dated August 1, 1899.

PARCEL 3

Commence at a 4-1/2 inch U.S. Pipe and Foundry Company monument at the southernmost corner of Siskin Steel and Supply Company property, said point being also the intersection of the northwesterly right-of-way of Interstate Highway 24 and the westerly right-of-way of the Louisville and Nashville Railroad; thence N 65°19'27"W along the southwesterly boundary of said Siskin Steel and Supply Company property 498.62 feet to a 3-1/2 inch capped pipe; thence N 07°00'57"W along the west boundary of said property 359.59 feet to a 3-1/2 inch capped pipe, said point being the Point of Beginning of the property herein described; thence N 65°19'27"W, 722.01 feet to a 3-1/2 inch capped pipe; thence continue N 65°19'27"W, 41.30 feet more or less to the mean low water line of the Tennessee River; thence northerly along the irregular aforementioned low

003.01

water line, described approximately by the following meander line; thence N 19°33'00"W, 125.00 feet; thence N 13°50'00"W, 400.00 feet; thence N 11°07'00"W, 545.00 feet; thence N 06°34'41"E, 21.55 feet to the intersection of the northerly boundary of U.S. Pipe and Foundry Company and southerly boundary of Combustion Engineering Company property with the mean low water line of the Tennessee River; thence N 78°47'53"E along the southerly boundary of Combustion Engineering Company property 78.27 feet to a 3 inch capped pipe; thence N 24°33'59"E along said property 559.20 feet to a 3 inch capped pipe on the southwesterly right-of-way of West 19th Street; thence S 65°26'01"E along the southwesterly boundary of West 19th Street 622.00 feet to a 3-1/2 inch capped pipe at the northwest corner of Ryerson Steel Company and northeast corner of U.S. Pipe and Foundary Company property; thence S 07°17'37"E along the boundary between said properties 893.15 feet to a 1 inch crimped pipe found 8.0 feet northeast of the centerline of a spur track; thence along the chord lines of an irregular curve to the left, parallel to said track, S 34°33'32"E, 100.00 feet; thence S 46°27'32"E, 100.00 feet; thence S 56°00'32"E, 100.00 feet; thence S 37°59'32"E, crossing aforementioned track, 178.50 feet to the northeasterly corner of Siskin Steel and Supply Company property; thence N 65°22'24"W, 324.79 feet to a 2-1/2 inch pipe on the northeast boundary of said property; thence continue N 65°22'24"W, 173.51 feet to the northwest corner of Siskin Steel property; thence S 07°00'57"E, 57.63 feet to a 5/8 inch rod on the west boundary of said property; thence continue S 07°00'57"E along said west boundary 567.18 feet to the Point of Beginning. Containing in all 30.11 acres.

For prior title see deeds recorded in Book 1473, Page 130, Book 1473, Page 137 and Book 1515, Page 388, in the Register's Office, Hamilton County, Tennessee. Also see Deeds in Book 1705, Page 348 and Book 2386, Page 149, said Register's Office.

C 7 6 8 4

NO TRANSFER TAX DUE
SARAH P. DeFRIESE
County Register

IDENTIFICATION REFERENCE

May 23 1 48 PM '88

SARAH P. DE FRIESE
REGISTER
HAMILTON COUNTY
STATE OF TENNESSEE

05/23/88 W/DD 21.00 **21.00 A

COHjr:kff #200121 # 5730

OCT 26 1971
A. E. Trimble, Assessor of Property
By

:: P-108B ::

BOOK 1994 PAGE 352

HON & HON, ATTORNEYS
617 WALNUT STREET
CHATTANOOGA, TENNESSEE 37402

IN CONSIDERATION of One ($1.00) Dollar and other valuable considerations paid, the receipt of all of which is hereby acknowledged, I, ADA R. KATCHEN, Widow and Devisee under the will of Isaac Katchen, Deceased whose will may be found of record in Will Book 15, page 176 in the Chancery Court, Part Two (2), Probate Division, Hamilton County, Tennessee, do hereby sell, transfer and convey unto UNITED STATES PIPE AND FOUNDRY COMPANY, the following described real estate in the City of Chattanooga, Hamilton County, Tennessee:

A triangular piece of land bounded on the west by Chestnut (formerly Boyce) Street, on the north by West Twenty-fifth (formerly White) Street and on the south and east by the right-of-way of the Nashville, Chattanooga & St. Louis Railway.

For prior title, see deed recorded in Book 904, page 596 in the Register's Office of Hamilton County, Tennessee.

SUBJECT to any governmental zoning and subdivision ordinances or regulations in effect thereon.

SUBJECT to easement conveyed to the City of Chattanooga by instrument recorded in Book 1223, page 48 in the Register's Office, Hamilton County, Tennessee.

Taxes for the year 1971 are to be prorated between the grantor and the grantee of even date herewith.

TO HAVE AND TO HOLD the same unto the said UNITED STATES PIPE AND FOUNDRY COMPANY, its successors and assigns, forever in fee simple. I covenant that I, as such Devisee under the will of Isaac Katchen as above set out, am lawfully seized and possessed of said real estate, have full power and lawful authority to sell and convey the same, that the title thereto is clear, free and unencumbered,except as hereinabove mentioned and I will forever warrant and defend the same against all lawful claims.

SIGNED by me to be effective as of September 23, 1971.

Ada R. Katchen
ADA R. KATCHEN

STATE OF TENNESSEE
COUNTY OF HAMILTON

On this 12th day of October, 1971, before me personally appeared ADA R. KATCHEN, Widow and Devisee under the will of Isaac Katchen, to me known to be the person described in and who executed the foregoing instrument and acknowledged that she executed the same as her free act and deed.

WITNESS my hand and Notarial Seal.

NOTARY PUBLIC

My commission expires: March 9, 1974

MWPS010014

STATE OF TENNESSEE
COUNTY OF HAMILTON

BOOK 1994 PAGE 353

I (or We), hereby offering this instrument for recording within the meaning of the Statutes of the State of Tennessee under TCA Code Section 67-4102, Item (s), hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is $ 5000.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

Carl A. Johnson
AFFIANT

Sworn to and subscribed before me this 25 day of Oct, 1971.

NOTARY PUBLIC

My commission expires: 6 April 1975

A 79723

IDENTIFICATION REFERENCE

OCT 26 1 57 PM '71

DOROTHY P. ERAMMER
REGISTER
HAMILTON COUNTY
STATE OF TENNESSEE

OCT26E	CONV	*5,000.00			
OCT26E	W/DEED		A*	4.00	
OCT26ES'TAX			A*	13.00	
OCT26EPAFEE			A*	.50	* 17.50

NOW, THEREFORE, the Home Owners' Loan Corporation, the lawful owner and holder of the note for Two Hundred Ninety six and 38/100 Dollars ($296.38) hereinabove mentioned, does hereby declare that the same has been cancelled, and the lien represented by said Deed of Trust securing the payment of said note is hereby fully and wholly discharged.

This the 3rd day of May 1940.

Home Owners' Loan Corporation

By: W. H. Riley,

Assistant Regional Treasurer

Home Owners' Loan Corporation
Washington, D.C.

State of Tennessee
SS
County of Shelby

Before me Claude Morgan, a Notary Public in and for the State of Tennessee and County of Shelby, aforesaid, personally appeared W. H. Riley with whom I am personally acquainted and who, upon oath acknowledged himself to be the Assistant Regional Treasurer of the within named Home Owners' Loan Corporation, a corporation, and that he, as such Assistant Regional Treasurer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation by himself as Assistant Regional Treasurer and affixing thereto the official seal of the Corporation.

WITNESS my hand and seal at Memphis, Tennessee, this 3rd day of May 1940.

Claude Morgan

Notary Public, Shelby County, Tennessee. My Commission Expires Aug 15, 1941

Claude Morgan, Notary Public
Shelby Co. Tenn

State of Tennessee
Hamilton County. The above Instrument and certificate were filed Aug 30, 1940 at 8:12 A.M. entered in Note Book No 36 Page 558 and recorded in Book 804 Page 148.

Witness my hand at office in Chattanooga, Tenn.

WILBUR M. THRASHER Register

Dept Reg

EASEMENT

FOR One Dollar ($1.00) cash in hand paid, receipt of which is hereby acknowledged, and other valuable consideration, Cumbustion Engineering Company (Hedges, Walsh, Weidner Division) party of the first part, hereby grants unto the United States Pipe & Foundry Company, party of the second part, its successors and assigns, an easement, or right-of-way, thirty (30) feet in width along and across what was formerly West 27th Street, being that portion of the street in the City of Chattanooga, Hamilton County, which lies westwardly of Sidney Street and extends four hundred forty five (445) feet, more or less, northwestwardly from Sidney Street to the right-of-way of the Nashville, Chattanooga & St. Louis Railway, said strip being more particularly described as follows:

" An easement or right-of-way thirty (30) feet wide through property of Cumoustion Engineering Company, along the center line extended of West 27th Street (closed) from Sidney Street west to the Belt Railway Company right-of-way, in the City of Chattanooga, Hamilton County, Tennessee, and more particularly described as follows:

"BEGINNING at a point in the west line of Sidney Street and fifteen (15) feet southwardly at right angle to the center line extended of West 27th Street, closed; thence westwardly and fifteen (15) feet from and parallel to the center line extended of said West 27th Street (closed) a distance of 443 feet, more or less, to the east line of right-of-way of the Belt Railway Company, being also the west line, extended, of the Cumbustion Engineering Company property; thence northeastwardly along said right-of-way and property line extended a distance of 30.6 feet more or less, to a point fifteen (15) feet northwardly

at right angle to the center line, extended, of West 27th Street (closed); thence eastwardly and fifteen (15) feet from and parallel to the said center line extended of West 27th Street (closed) a distance of 436.2 feet more or less, to the west line of Sidney Street; thence southwardly along the west line of Sidney Street, a distance of thirty (30) feet to the point of beginning, all as shown by plat of a survey by the Betts Engineering Company, dated July 25, 1940".

THE uses to which the United States Pipe & Foundry Company may put said easement, or right-of-way, are for ingress and egress to their plant by all trucks and other vehicles owned by the United States Pipe & Foundary Company, or any trucks and vehicles going to the United States Pipe & Foundary Company on business with the United States Pipe & Foundary Company.

AND also said right-of-way may be used by employees of the United States Pipe & Foundary Company as a walkway on their way to and from work.

THE further condition of the granting of this right-of-way, or easement, is that the Cumbustion Engineering Company, its successors and assigns, shall have the right to maintain at the east and west entrance to this right-of-way gates. These gates shall be sufficiently wide to allow for the passage of all vehicular traffic going to and from on said right-of-way to the United States Pipe & Foundary Company on its business; and the Cumbustion Engineering Company shall maintain at these gates watchmen for the purpose of passing through said gates vehicles on their way to and from the United States Pipe & Foundry Company.

IN the event it becomes necessary for the Cumbustion Engineering Company to close said easement, or right-of-way, as a walkway to employees of the United States Pipe & Foundary Company using it on their way to and from work, then the Combustion Engineering Company will, at their expense, erect an overhead walkway which may be used by said employees of the United States Pipe & Foundary Company, but it is expressly understood that at no time shall said easement be closed to the vehicular traffic mentioned above in this easement.

THE Cumbustion Engineering Company agrees that the right-of-way so granted will be maintained by them for vehicular traffic in as good condition as it was maintained at the time it was a public street, before the passage by the City Commission of any ordinance formally abandoning said street.

TO have and to hold the above easement, or right-of-way, upon the terms and conditions herein set forth, to the United States Pipe & Foundry Company, its successors and assigns forever. The said Cumbustion Engineering Company warrants that it is lawfully seized of said property; that it has a good right to transfer the same; that the same is free and unincumbered except by and to the parties of this instrument.

ALL covenants made herein are understood to be and are covenants running with the land.

IN Witness Whereof the parties hereunto have caused their names to be signed by their duly authorized officers on this the 9th day of August 1940.

x x x x x x x x x x x x x x x x x x x x x
Cumbustion Engineering Company, Inc. x
Corporate Seal 1933 Delaware x
x x x x x x x x x x x x x x x x x x x x x

Cumbustion Engineering Company
By: Martens H. Isenberg,
Vice President
Attest: G. D. Ellis,
Secretary

State of New York

County of New York. Before me Walter M. Haarmann, a Notary Public in and for the state and county aforesaid, whose commission expires March 30, 1941, personally appeared Martens H. Isenberg and G. D. Ellis, with whom I am personally acquainted, and who upon oath acknowledged themselves to be the Vice President and Secretary, respectively, of Cumbustion Engineering Company, Inc. the grantor of the easement conveyed by this instrument, a corporation, and that they as such Vice President and Secretary, respectively, being authorized so to do, executed the foregoing instrument for the purposes therein contained

by signing the name of the corporation by the first named as Vice President, and affixing the corporate seal and attesting its genuineness by the last named as Secretary.

WITNESS my hand and seal at office in New York, County, this 9th day of August 1940.

x x x x x x x x x x x x x x x x x x x x x x
Walter M. Haarmann, Notary Public x
Bronx & N.Y. Counties x
x x x x x x x x x x x x x x x x x x x x x x

Walter M. Haarmann

Notary Public

Walter M. Haarmann Notary Public Bronx County Clerk's No 1, Bronx County Register's No 50-H-41 New York County Clerk's No 353 New York County Register's No 1H206. Commission Expires March 30, 1941

State of Tennessee

Hamilton County. The above Instrument and certificate were filed Aug 30, 1940 at 8:37 A.M. entered in Note Book No 36 Page 558 and recorded in Book 804 Page 149.

Witness my hand at office in Chattanooga, Tenn.

WILKES T. THRASHER Register

a Bje Dept Reg

x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x

TVA 514-Tennessee
(LA 7-39)

GRANT OF TRANSMISSION LINE EASEMENT

HC-42 A

FOR and in consideration of the sum of Five and 00/100 Dollars ($5.00) cash in hand paid, receipt whereof is hereby acknowledged, we the undersigned, George M. Perkins and wife, Clairca D. Perkins have this day bargained and sold and by these presents do hereby grant, bargain, sell, transfer and convey unto the United States of America, a permanent easement and right-of-way, for the following purposes, namely: the perpetual right to enter and to erect, maintain, repair, rebuild, operate, and patrol one or more electric power transmission lines, and one or more telephone and/or telegraph lines, including the right to erect such poles and other transmission line structures, wires, cables and any necessary appurtenances; the right to clear said right-of-way and keep the same clear of brush, timber, inflammable structures, and fire hazards; and the right to remove danger trees, if any, located beyond the limits of said right-of-way; all over, upon, across, and under the following described land, to wit:

A certain tract or parcel of land situated in the Second Civil District of Hamilton County, Tennessee, and located in the Southwest Quarter of Section Fifteen (15), Township Five (5), Range Three (3), West of the Basis Line, Ococe District, and more particularly described as follows:

BEGINNING in the center of Montgomery Avenue at the southwest corner of the Samuel Hixson property, a description of which is given in the deed of trust of Samiel Hixson and wife to W. M. Elliott, Trustee, recorded in Book P. Volume 20, page 741 of the Register's Office of Hamilton County, Tennessee; running thence northwardly along the West line of the Hixson property thirteen hundred twenty (1320) feet; thence westwardly at right angles seven hundred twenty four (724) feet; thence southwardly at right angles thirteen hundred twenty (1320) feet to the center of Montgomery Avenue; thence eastwardly along the center of Montgomery Avenue Seven Hundred Twenty four feet (724) feet to the point of beginning.

BEING the same property conveyed to George M. Perkins and Clairca D. Perkins by deed of J. S. Ghniger and wife, dated July 23, 1936, and recorded on the 27 day of August 1940 in Deed Book ________ Volume _________ Page________ Register's Office Hamilton, County, Tennessee.

THE easement and right-of-way hereby granted covers a strip of land 150 feet in width across the above described lands, and is more particularly located and described as follows:

A triangular portion of a strip of land for a transmission line right of way 150 feet wide lying 75 feet on each side of the center line of the Hiwassee-Chickamauga

Elliott the Executive Secretary and Treasurer respectively of The Board of Home Missions and Church Extension of The Methodist Episcopal Church, with whom I am personally acquainted, and know to be such officers, who being by me duly sworn, said that they are the Executive Secretary and Treasurer, respectively of The Board of Home Missions and Church Extension of The Methodist Episcopal Church, a corporation under the laws of Pennsylvania; that they know the corporate seal of said Board; that the seal affixed to the foregoing instrument is such corporate seal; that it is thereto affixed by order of said corporation; and that they signed their names thereto by the like order, as Executive Secretary and Treasurer respectively by virtue of the authority vested in them by said The Board of Home Missions and Church Extension of The Methodist Episcopal Church.

And the said E. D. Kohlstedt and W. J. Elliott, the Executive Secretary and Treasurer aforesaid, acknowledged the said instrument to be their, and each of their, act and deed, and the voluntary act and deed of said The Board of Home Missions and Church Extension of The Methodist Episcopal Church.

E. D. Kohlstedt

W. J. Elliott

In testimony whereof, I have hereunto set my hand and affixed my Notarial Seal, at my office, in Philadelphia, the day and year last above written.

x x x x x x x x x x x x x x x x x x x x x x x x x x W. Conwell Snoke

W. Conwell Snoke, Notary Public, Phila. Co. Pa. x Notary Public

x x x x x x x x x x x x x x x x x x x x x x x x x x Commission Expires March 7, 1943.

STATE OF TENNESSEE

HAMILTON COUNTY: The above Instrument and certificate were filed Mar. 29, 1939, at 3:55 P. M. entered in Note Book No. 36, Page 159, and recorded in Book 780, Page 66.

Witness my hand at office in Chattanooga, Tenn.

JAMES T. THRASHER, Register

A. Pope Dept. Reg.

x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x x

THIS AGREEMENT made as of the 26th day of September, 1938, by and between the United States Pipe and Foundry Company, a New Jersey corporation (hereinafter referred to as the "Pipe Company") as party of the first part and the City of Chattanooga, Tennessee, acting by and through the Electric Power Board of Chattanooga, (hereinafter referred to as "The City") as party of the second part, WITNESSETH:

Whereas, the Pipe Company is the owner in fee of certain premises hereinafter described; and

WHEREAS, The City has requested the Pipe Company to grant it permission to maintain and operate a 13.5 K. V. distribution line on the premises of the Pipe Company hereinafter described.

NOW THEREFORE, the Pipe Company hereby grants to The City a license to construct, reconstruct renew, repair, maintain and operate a distribution line for the transmission of electrical energy, including the necessary poles, cross arms, conduits and other appurtenances thereto, on and over the following described premises, to-wit:

A parcel of the Pipe Company's property located adjacent to the N. C. & St. L. Railway extending from West 23rd Street at Cross Street, to West 25th Street, from which it extends in a general westerly direction to Ross Tow Head Island, then extending south to the southerly end of said Ross Tow Head Island, at which point the line shall extend east in the direction of the N. C. & St. L. Railway shops, said parcel to have a width of fifty (50) feet, all as shown on the blue print No. J.E.268, of the Electric Power Board of Chattanooga, attached to said agreement as "Exhibit A".

subject to the terms and conditions hereinafter provided, together with the right of ingress to and egress from said premises for the purpose of constructing, reconstructing, inspecting, renewing, repairing, maintaining, removing, and operating the property of The City located thereon.

As consideration for the grant of said license, The City herein agrees as follows:

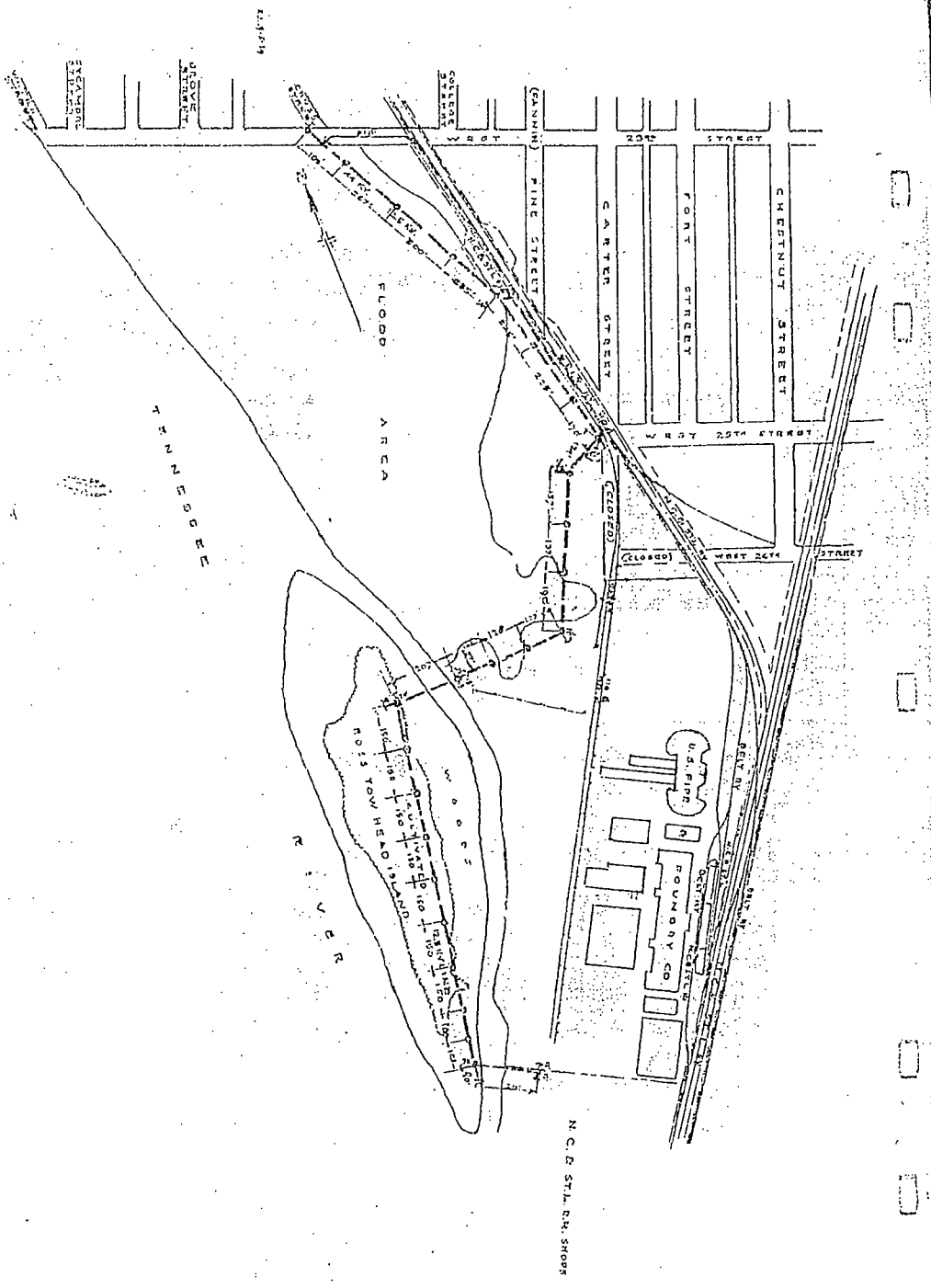


EXHIBIT "A"

2	12/26/39	As Actually Staked	PROPERTY MAP U.S. PIPE & FOUNDRY CO.
1	5/8/39	Revised as Staked	
			1" = 150' 9-2-39
			V.E. 268

Drawn from photostatic reduction 50% - scale 300'-1"

1. The City shall pay for the above mentioned license the sum of One Hundred Dollars($100.00) per annum, to be paid at the end of each year during which this license shall be in effect. In the event of the termination of said license for any cause, The City shall pay the same amount on a pro rate monthly basis for the period of the year during which said license was in effect.

2. The City shall construct, reconstruct, maintain and operate said distribution line and other appurtenances in accordance with approved engineering practices in a manner required by lawful authority, and in a manner satisfactory to the Pipe Company

3. The City shall pay, when due, all taxes and assessments, if any, that may be levied or assessed upon The City's improvements upon the above described premises.

4. The City shall indemnify and save harmless the Pipe Company from any and all loss of, or damage to property, and from any and all loss or damage resulting from interference with the business or operations of the Pipe Company, and from any and all claims growing out of injury to, or death of any person or persons in any way caused by, incident to, or connected directly or indirectly with the construction, J.C. reconstruction, renewal, maintenance and operation of said distribution line or any other line substituted therefor.

5. The City shall assume and pay, and shall indemni - and save harmless the Pipe Company from any and all liability or claims growing out of personal injury to, or death of its officers, employees or agents while on or about the premises on or over which the license herein has been granted.

6. If in the sole judgment of the Pipe Company, the distribution line herein licensed interferes with future plant improvements or future uses of its property hereinbefore described, The City hereby agrees to relocate any or all portions of the distribution line then found on the property of the Pipe Company.

7. The City shall not transfer or assign, without the written consent of the Pipe Company, the license hereingranted.

8. After the construction of, or after any changes, renewals or repairs to said power line, The City shall remove from the premises on and over which the Pipe Company has granted this license, all surplus material and refuse and shall keep said premises free and clear thereof.

9. If the City shall failto perform any one or more of the conditions herein contained, the Pipe Company shall have the right to declare this license terminated, and upon delivery of written notice of such termination to The City, all rights and privileges under this license shall cease.

10. Either party may terminate this agreement only (except as provided for in Paragraph 9) by giving the other party sixty(60) days notice in writing of its election so to do.

11. Upon the termination of this license, regardless of how the termination shall occur, The City agrees to take up and remove all materials, equipment and superstructures of the saidCity used on the property of the Pipe Company for the transmission of electricity. Further The City agrees to reimburse the Pipe Company for any expenditures of removal which would be necessitated by delay of over fourteen(14) days on the part of The City so to do.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed this 26th day of September, 1938.

x x x x x x x x x x x x x x x x x x x x x x x x x UNITED STATES PIPE AND FOUNDRY COMPANY

United States Pipe and Foundry Company x By W. F. S. Russell, President(Seal)
Attest: Chas. R. Routh, Secretary

Incorporated, New Jersey x THE CITY OF CHATTANOOGA, TENNESSEE

x x x x x x x x x x x x x x x x x x x x x x x x x Acting by and through the ELECTRIC POWER BOARD OF CHATTANOOGA

Attest: H. J. Simmons, Secretary By L. J. Wilhoite, (Seal) Chairman

Approved as to Legal Form

------------------ -------Counsel

O. K. as to Engineering Needs
S.R.F.Chief Engineer

STATE OF TENNESSEE

HAMILTON COUNTY The above Instrument, Map and certificate were filed Mar.31, 1939, at 2:06 P.M.

MWPS010021

Secretary of State
Division of Business Services
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, Tennessee 37243

DATE: 04/19/06
REQUEST NUMBER: 5771-0975
TELEPHONE CONTACT: (615) 741-2286
FILE DATE/TIME: 04/19/06 0946
EFFECTIVE DATE/TIME: 04/19/06 0946
CONTROL NUMBER: 0518497

Instrument: 2006082900279
Book and Page: GI 8064 603
Charter Fee $5.00
Data Processing F $2.00
Total Fees: $7.00
User: KSPRUIELL
Date: 29-AUG-2006
Time: 03:39:37 P
Contact: Pam Hurst, Register
Hamilton County Tennessee

TO:
HORTON,MADDOX & ANDERSON, PLLC
ONE CENTRAL PLAZA
835 GA. AVENUE
CHATTANOOGA, TN 37402

RE:
PIPE PROPERTIES, LLC
ARTICLES OF ORGANIZATION - LIMITED LIABILITY COMPANY

CONGRATULATIONS UPON THE FORMATION OF THE LIMITED LIABILITY COMPANY IN THE STATE OF TENNESSEE WHICH IS EFFECTIVE AS INDICATED ABOVE.

A LIMITED LIABILITY COMPANY ANNUAL REPORT MUST BE FILED WITH THE SECRETARY OF STATE ON OR BEFORE THE FIRST DAY OF THE FOURTH MONTH FOLLOWING THE CLOSE OF TH

LIMITED LIABILITY COMPANY'S FISCAL YEAR. ONCE THE FISCAL YEAR HAS BEEN ESTABLISHED, PLEASE PROVIDE THIS OFFICE WITH WRITTEN NOTIFICATION. THIS OFFICE WILL MAIL THE REPORT DURING THE LAST MONTH OF SAID FISCAL YEAR TO THE LIMITED LIABILITY COMPANY AT THE ADDRESS OF ITS PRINCIPAL OFFICE OR TO A MAILING ADDRESS PROVIDED TO THIS OFFICE IN WRITING. FAILURE TO FILE THIS REPORT OR TO MAINTAIN A REGISTERED AGENT AND OFFICE WILL SUBJECT THE LIMITED LIABILITY COMPANY TO ADMINISTRATIVE DISSOLUTION.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE LIMITED LIABILITY COMPANY CONTROL NUMBER GIVEN ABOVE. PLEASE BE ADVISED THAT THIS DOCUMENT MUST ALSO BE FILED IN THE OFFICE OF THE REGISTER OF DEEDS IN THE COUNTY WHEREIN A LIMITED LIABILITY COMPANY HAS ITS PRINCIPAL OFFICE IF SUCH PRINCIPAL OFFICE IS IN TENNESSEE.

FOR: ARTICLES OF ORGANIZATION - LIMITED LIABILITY COMPANY

ON DATE: 04/19/06

	FEES	
RECEIVED:	$300.00	$0.00
TOTAL PAYMENT RECEIVED:		$300.00

FROM:
HORTON MADDOX & ANDERSON PLLC (CHATT)
1 CENTRAL PLAZA #600
835 GEORGIA AVE
CHATTANOOGA, TN 37402-0000

RECEIPT NUMBER: 00003924502
ACCOUNT NUMBER: 00214306

Mail To:
James A. Hurst, Jr.
HORTON, MADDOX & ANDERSON, PLLC
ATTORNEYS AND COUNSELLORS AT LAW
ONE CENTRAL PLAZA, SUITE 600
835 GEORGIA AVENUE
CHATTANOOGA, TENNESSEE 37402

RILEY C. DARNELL
SECRETARY OF STATE

SS-4458

MWPS010022

FILED

ARTICLES OF ORGANIZATION

OF

Book and Page: GI 8064 604

PIPE PROPERTIES, LLC

577.00

The undersigned, being qualified to act as organizer under the Tennessee Revised Limited Liability Company Act, Title 48, Chapters 249-101 through 249-1133, of the Tennessee Code Annotated, adopts the following Articles of Organization for the purpose of organizing a limited liability company under the Act:

1. NAME. The name of the limited liability company is

Pipe Properties, LLC

2. REGISTERED AGENT AND OFFICE. The name of the initial registered agent of the limited liability company in the State of Tennessee and the initial street address of the registered office is:

James A. Hurst, Jr.
835 Georgia Avenue, Suite 600
Chattanooga, TN 37402
Hamilton County

RECEIVED
STATE OF TENNESSEE
2006 APR 19 AM 9:46
RILEY DARNELL
SECRETARY OF STATE

3. PRINCIPAL EXECUTIVE OFFICE. The street address of the principal executive office of the limited liability company in the State of Tennessee is:

835 Georgia Avenue, Suite 600
Chattanooga, TN 37402
Hamilton County

4. MANAGEMENT. The limited liability company shall be member managed.

5. NOT A FAMILY LLC. Tennessee Code Annotated Section 48-249-503(b)(2) shall not apply to the limited liability company.

6. EFFECTIVE DATE. The existence of the limited liability company shall begin as of the date these Articles of Organization are filed with the Secretary of State of Tennessee.

7. GENERAL. This limited liability company shall enjoy and be subject to such benefits, privileges and immunities and such restrictions, liabilities and obligations as are provided with respect to limited liability companies generally by the laws of the land and which are held applicable to limited liability companies organized under the Tennessee Revised Limited Liability Company Act.

IN WITNESS WHEREOF, the undersigned person, acting as organizer and being duly authorized, executes the foregoing Articles for the purpose of forming a limited liability company in accordance with the Act.

Executed the 11 day of April, 2006.

(James A. Hurst, Jr.)
ORGANIZER

CHAMBLISS, BAHNER & STOPHEL, P.C.
MERITAS LAW FIRMS WORLDWIDE

1000 Tallan Building
Two Union Square
Chattanooga, TN 37402
Tel 423.756.3000
www.cbslawfirm.com

Frederick L. Hitchcock
Tel 423.757.0222
Fax 423.508.1222
rhitchcock@cbslawfirm.com

July 13, 2007

VIA FAX 615 532-1469 AND USPS
Mr. Martin R. Toth
Chief Boiler Inspector
State of Tennessee
Department of Labor and Workforce Development
Andrew Johnson Tower
710 James Robertson Parkway, 3rd Floor
Nashville, TN 37243

Re: U.S. Pipe Company, Chattanooga, Tennessee

Dear Mr. Toth:

The Notice of Delinquent Inspection addressed to Walter Industries relating to a boiler of the former U.S. Pipe and Foundry location in Chattanooga has been referred to me for response.

The U.S. Pipe and Foundry property and all of its equipment were sold as of August 31, 2006 to Perimeter Properties, LLC. The U. S. Pipe and Foundry facility had been closed for some months prior to that date.

I understand that a copy of your Notice has been returned to you with the notation that the boiler in question is out of service ("OOS"), and this letter is provided in further explanation.

Please do not hesitate to call me if you have any questions

With best regards, I am

Very truly yours,

Frederick L. Hitchcock

FLH/dar
cc: Mr. Scot Aler
Mr. Michael Mallen

09803_00/0502/DAR-001898_1

DEPARTMENT OF LABOR & WFD
DIVISION OF
BOILER AND ELEVATOR INSPECTION

STATE OF TENNESSEE
Tn Dept of Labor & Work Force Development
Boiler and Elevator Division
Andrew Johnson Towers
710 James Robertson Pkwy, 3rd Floor
Nashville, TN 37243-0663
Phone: 615-741-2123 Fax: 615-532-1469

JAMES G. NEELEY
COMMISSIONER

GARY W. COOKSTON
ASST. ADMINISTRATOR

NOTICE OF DELINQUENT INSPECTION

Date of Issue: **June 25, 2007**

WALTER INDUSTRIES INC
ATT JIM BOOK
4211 WEST BOYSCOUT BLVD
TAMPA, FL 33607

To Whom It May Concern:

Your assistance is requested. Our records indicate that a pressure retaining item(s), at the location listed below, is more than 90 days overdue for inspection. As you may be aware, if this equipment is in use, your company is in violation of T.C.A. 68-122-112, which makes it "unlawful for any person, firm, partnership, or corporation to operate, under pressure, in this state, a boiler (or pressure vessel) without a valid inspection certificate".

Please review the vessel information listed below and verify if it is operational at the business address provided. If said equipment is in operation, you must contact the inspecting agency responsible, to schedule your boiler or pressure vessel inspection. To assist you with this endeavor, the agency's name and telephone number can be located on the third and fourth lines, of the third column, in the vessel information at the end of the page.

However, if the pressure retaining item IS NOT in operation, please indicate by writing "OOS" next to the applicable "Tenn #", in the first column of the vessel information at the end of the page. Upon completion, please return this letter, via mail or fax, to my attention and our office will indicate the vessels status on your account. This will prevent unnecessary inspections and/or fines to this location.

Thank you for your attention, we look forward in assisting you in rectifying your account. Questions regarding this notice may be addressed to any one of our office staff personnel.

Sincerely,
Martin R. Toth
Chief Boiler Inspector
State of Tennessee

Tenn # / Natl Board # / Year Built	User Name / User Address / User City, State, Zip	Location in Plant / Manufacturer / Insurer/Insurer Phone	User Category / Vessel Type / Use	Last Insp. Date / Next Insp. Date / Certif Exp. Date
OOS T41420 548104 1998	US PIPE AND FOUNDRY 2701 CHESTNUT STREET CHATTANOOGA, TN 37401	VALVE PLANT MANCHESTER JAMES CASSEDAY (423) 942-3184	UNK ATNK OTHR	04/21/2005 02/18/2007 02/18/2007

MWPS010026

****
*** FAX TX REPORT ***
****

TRANSMISSION OK

JOB NO.	0424
DESTINATION ADDRESS	9plp6155321469p7021
PSWD/SUBADDRESS	
DESTINATION ID	
ST. TIME	07/11 10:37
USAGE T	00'59
PGS.	2
RESULT	OK

United States Pipe and Foundry Company, LLC.

3300 First Avenue North 35222

P.O. Box 10406

Birmingham, Alabama 35202

Facsimile Transmission

To: Firm Name: Chief Boiler Inspector

Attention: Martin Toth

Fax Number: (615) 532-1469

From: Scot Aler (205) 254-7435

Special Instructions:

Number of pages to Follow: 1

Date: 7/11/07

Our Telephone Number: ~~205.254.7401~~

Our Fax Number: 254.7405

Mr. Toth,

US Pipe ceased operation of the Chattanooga Foundry in 2006. We sold the property

MWPS010027

United States Pipe and Foundry Company, LLC.

3300 First Avenue North 35222

P.O. Box 10406

Birmingham, Alabama 35202

Facsimile Transmission

To: Firm Name: Chief Boiler Inspector

Attention: Martin Toth

Fax Number: (615) 532-1469

From: SCOT ALER (205) 254-7435

Special Instructions:

Number of pages to Follow: 1

Date: 7/11/07

Our Telephone Number: ~~205.254.7401~~

Our Fax Number: 254.7405

Mr. Toth,

US Pipe ceased operation of the Chattanooga Foundry in 2006. We sold the property & all equipment to Gateway View, LLC. They are salvaging & demolishing the equipment.

Scot Aler

MWPS010028

Secretary of State
Division of Business Services
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, Tennessee 37243

DATE: 11/27/06
REQUEST NUMBER: 5894-1126
TELEPHONE CONTACT: (615) 741-2286
FILE DATE/TIME: 11/27/06 0845
EFFECTIVE DATE/TIME: 11/27/06 1630
CONTROL NUMBER: 0518497

TO:
HORTON MADDOX & ANDERSON PLLC
1 CENTRAL PLAZA, 6TH
835 GEORGIA AVENUE
CHATTANOOGA, TN 37402

Instrument: 2006120400497
Book and Page: GI 8170 844
Charter Fee $5.00
Data Processing F $2.00
Total Fees: $7.00
User: TFREUDENBERG
Date: 04-DEC-2006
Contact: Pam Hurst, Re

RE:
PIPE PROPERTIES, LLC
ARTICLES OF AMENDMENT - LIMITED LIABILITY COMPANY

THIS WILL ACKNOWLEDGE THE FILING OF THE ATTACHED DOCUMENT WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE LIMITED LIABILITY COMPANY CONTROL NUMBER GIVEN ABOVE. PLEASE BE ADVISED THAT THIS DOCUMENT MUST ALSO BE FILED IN THE OFFICE OF THE REGISTER OF DEEDS IN THE COUNTY WHEREIN A LIMITED LIABILITY COMPANY HAS ITS PRINCIPAL OFFICE IF SUCH PRINCIPAL OFFICE IS IN TENNESSEE.

FOR: ARTICLES OF AMENDMENT - LIMITED LIABILITY COMPANY ON DATE: 11/27/06

FROM:
HORTON MADDOX & ANDERSON PLLC (CHATT)
1 CENTRAL PLAZA #600
835 GEORGIA AVE
CHATTANOOGA, TN 37402-0000

	FEES	
RECEIVED:	$20.00	$0.00
TOTAL PAYMENT RECEIVED:		$20.00

RECEIPT NUMBER: 00004052812
ACCOUNT NUMBER: 00214306

MAIL TO:
GLORIA GASS
HORTON, MADDOX & ANDERSON, PLLC
ATTORNEYS AND COUNSELLORS AT LAW
ONE CENTRAL PLAZA, SUITE 600
835 GEORGIA AVENUE
CHATTANOOGA, TENNESSEE 37402

SS-4458

Riley C Darnell

RILEY C. DARNELL
SECRETARY OF STATE

MWPS010029

Book and Page: GI 8170 845

State of Tennessee

Department of State
Corporate Filings
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

ARTICLES OF AMENDMENT TO ARTICLES OF ORGANIZATION (LLC)

For Office Use Only

FILED
2006 NOV 27 AM 8:45
SECRETARY OF STATE
RECEIVED
STATE OF TENNESSEE

LIMITED LIABILITY COMPANY CONTROL NUMBER (IF KNOWN) 0518497

PURSUANT TO THE PROVISIONS OF §48-209-104 OF THE TENNESSEE LIMITED LIABILITY COMPANY ACT OR §48-249-204 OF THE TENNESSEE REVISED LIMITED LIABILITY COMPANY ACT, THE UNDERSIGNED ADOPTS THE FOLLOWING ARTICLES OF AMENDMENT TO ITS ARTICLES OF ORGANIZATION:

PLEASE MARK THE BLOCK THAT APPLIES:

☒ AMENDMENT IS TO BE EFFECTIVE WHEN FILED BY THE SECRETARY OF STATE.

☐ AMENDMENT IS TO BE EFFECTIVE _____ (DATE) _____ (TIME).

(NOT TO BE LATER THAN THE 90TH DAY AFTER THE DATE THIS DOCUMENT IS FILED.) IF NEITHER BLOCK IS CHECKED, THE AMENDMENT WILL BE EFFECTIVE AT THE TIME OF FILING.

1. PLEASE INSERT THE NAME OF THE LIMITED LIABILITY COMPANY AS IT APPEARS ON RECORD: PIPE PROPERTIES, LLC

IF CHANGING THE NAME, INSERT THE NEW NAME ON THE LINE BELOW:

2. PLEASE INSERT ANY CHANGES THAT APPLY:

A. PRINCIPAL ADDRESS: _____ (STREET ADDRESS)

_____ (CITY) _____ (STATE/COUNTY) _____ (ZIP CODE)

B. REGISTERED AGENT: WILLIAM H. HORTON

C. REGISTERED ADDRESS: _____ (STREET)

_____ (CITY) TN (STATE) _____ (ZIP CODE) _____ (COUNTY)

D. OTHER CHANGES:

3. THE AMENDMENT WAS DULY ADOPTED ON 11 (MONTH) 15 (DAY) 2006 (YEAR)

(If the amendment is filed pursuant to the provision of §48-209-104 of the TN LLC Act, please also complete the following by checking one of the two boxes:) AND THE AMENDMENT WAS DULY ADOPTED BY THE

☐ BOARD OF GOVERNORS WITHOUT MEMBER APPROVAL AS SUCH WAS NOT REQUIRED

☐ MEMBERS

APPOINTED SECRETARY
SIGNER'S CAPACITY

_____
SIGNATURE

WILLIAM H. HORTON
NAME OF SIGNER (TYPED OR PRINTED)

SS-4247 (REV. 01/06) Filing Fee: $20.00 RDA 2458

MWPS010030

Book and Page: GI 8170 846

HORTON, MADDOX & ANDERSON, PLLC
ATTORNEYS AND COUNSELLORS AT LAW
ONE CENTRAL PLAZA
SIXTH FLOOR
835 GEORGIA AVENUE
CHATTANOOGA, TENNESSEE 37402

WILLIAM H. HORTON
ROY C. MADDOX, JR.*†
MICHAEL A. ANDERSON*‡
PATRICK C. TAINTOR†
CAROL M. BALLARD*
JAMES A. HURST, JR.
STEPHEN G. KABALKA*
BILL W. PEMERTON‡

‡Also Admitted in Alabama
†Also Admitted in Florida
*Also Admitted in Georgia

TELEPHONE
(423) 265-2560
(423) 266-4655
FACSIMILE
(423) 265-3039
e-mail: hma@chattanooga-law.com
www.chattanooga-law.com

November 17, 2006

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

PERSONAL AND CONFIDENTIAL

Tennessee Secretary of State
Division of Business Services
6th Floor, William R. Snodgrass Tower
312 Eighth Avenue North
Nashville, TN 37243

In re: **Pipe Properties, LLC**

Dear Sir:

Enclosed for filing with your office are Articles of Amendment to the Articles of Organization for the above referenced limited liability company.

Also enclosed is our check in the amount of $20.00 for the filing fee.

Please return the enclosure directly to the undersigned as soon as it has been recorded in your office.

We appreciate your assistance in this matter.

Sincerely yours,

Gloria Gass

Gloria Gass, Legal Assistant
ggass@chattanooga-law.com
Horton, Maddox & Anderson, PLLC

Enclosure
cc: Mr. Gary Chazen (with enclos.)
Mr. Michael C. Mallen (with enclos.)
Mr. William H. Horton (without enclos.)

G:\Gloria\WP51\DOCS\GLO-CORP\LETTERS\Pipe.Amend.wpd

MWPS010031

THIS INSTRUMENT PREPARED BY:
Allen L. McCallie
Miller & Martin PLLC
Suite 1000, Volunteer Building
832 Georgia Avenue
Chattanooga, TN 37402-2289

Instrument: 2010082300295
Book and Page: GI 9233 35
MISC RECORDING FEE $80.00
DATA PROCESSING FEE $2.00
CONVEYANCE TAX $0.19
PROBATE FEE $1.00
Total Fees: $83.19
User: DLS
Date: 8/23/2010
Time: 3:51:08 PM
Contact: Pam Hurst, Register
Hamilton County, Tennessee

860797

	Name and Address of Owner:	Send Tax Bills To:	Map & Parcel No.
(1)	Perimeter Properties, LLC P. O. Box 6308 Chattanooga, TN 37401	Same	155C-A-001 155C-A-002 155C-A-003 155C-A-006 155F-A-010 155G-A-001.02 155G-A-004
(2)	Pipe Properties, LLC P. O. Box 6308 Chattanooga, TN 37401	Same	145N-A-001 145N-A-002 145N-A-004.01 145N-A-005
(3)	Gateway View, LLC P. O. Box 6308 Chattanooga, TN 37401	Same	145O-A-001 145J-A-003

MEMORANDUM OF AGREEMENT REGARDING CONVEYANCE FOR TENNESSEE RIVERWALK

THIS MEMORANDUM OF AGREEMENT REGARDING CONVEYANCE FOR TENNESSEE RIVERWALK is entered into as of the 16th day of August, 2010 between **LYNDHURST FOUNDATION, INC.**, a Delaware not-for-profit corporation authorized to do business in Tennessee (herein called "Lyndhurst"), and **PERIMETER PROPERTIES, LLC, and its affiliates, PIPE PROPERTIES, LLC,** and **GATEWAY VIEW, LLC,** all of which are Tennessee limited liability companies (hereinafter collectively called "Owner").

RECITALS:

A. The three entities comprising Owner collectively own all of those parcels of real property which are outlined in the three maps attached as **Exhibit "A"** and more particularly described in **Exhibit "B"** (collectively "Pipe-Wheland Properties"), and identified in the list of tax map parcels above.

B. The Pipe-Wheland Properties stretch generally north to south along the Tennessee River and Interstate 24 for a distance of approximately one mile, and stretch east to west from the banks of the Tennessee River to South Broad Street.

C. Owners have agreed to donate portions of the Pipe-Wheland Properties to serve as the future right-of-way for the extension of the existing Tennessee Riverwalk as it is to be constructed in the future downstream from the Ross' Landing area of Chattanooga, along the east bank of the Tennessee River, and towards its eventual destination of the base of Lookout Mountain.

D. Lyndhurst and Owner have agreed to the framework of the donation of this Right-of-Way under a Letter Agreement dated as of August 16, 2010, the terms of which are incorporated herein by reference (the "Letter Agreement") and have agreed to enter into this Memorandum Agreement for the purpose of giving public notice of Owner's obligation to complete the donation of this Right-of-Way across portions of the Pipe-Wheland Properties which will be identified in the future.

NOW, THEREFORE, in consideration of the premises herein, and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Lyndhurst and Owner do hereby agree as follows:

1. **Memorandum of Agreement as Public Record.** This Memorandum Agreement is intended to serve as public notice of the Letter Agreement under which Owner has agreed to donate a public recreational trail Right-of-Way across and upon the Pipe-Wheland Properties to the City of Chattanooga and/or Hamilton County, or to any other §501(c)(3) charitable organization designated by Lyndhurst.

2. **Description and Location of Right-of-Way.** The location of the Right-of-Way across the Pipe-Wheland Properties will be identified by agreement of the Owner and Lyndhurst as set forth in the Letter Agreement, and will include pedestrian passageway under the Interstate 24 right of way and across Chattanooga Creek where they cross the Pipe-Wheland Properties.

3. **Enforceability**. The obligation for donation of the Right-of-Way may be enforced by Lyndhurst or its designee against any and each of the Owners, and any successors and assigns thereto, with respect to the portions of the Pipe-Wheland Properties owned by the respective individual Owner.

4. **Time for Performance**. The obligation to donate will continue from the date of the Letter Agreement until December 31, 2020, and the donation may be effected in the manner set forth in the Letter Agreement at any time prior to December 31, 2020 by Perimeter Properties, Lyndhurst or its assignee, failing which the obligation of Perimeter Properties will expire and terminate on December 31, 2020, time being of the essence of the Letter Agreement.

IN WITNESS WHEREOF, the parties have executed this Memorandum Agreement as of the date first above written.

LYNDHURST FOUNDATION, INC.

By: Bernie M Clark III
Title: President and Treasurer
Date: August 16, 2010

PERIMETER PROPERTIES, LLC

By: _____
Title: President
Date: 8-5-2010

PIPE PROPERTIES, LLC

By: _____
Title: President
Date: 8-5-2010

GATEWAY VIEW, LLC

By: _____
Title: President
Date: 8-5-2010

STATE OF TENNESSEE
COUNTY OF HAMILTON

Before me, the undersigned, a Notary Public in and for said county and state, personally appeared Bernie M. Clark III, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged her/himself to be the President of **LYNDHURST FOUNDATION, INC.**, a Delaware not-for profit corporation, and that (s)he as such officer, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by her/himself as President.

WITNESS my hand, at office, this 16 day of August, 2010.

CATHERINE C. COX
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

Catherine C. Cox
Notary Public
My Commission Expires: 5-6-2014

STATE OF TENNESSEE
COUNTY OF HAMILTON

Before me, the undersigned, a Notary Public in and for said county and state, personally appeared Gary D. Chazen, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged her/himself to be the President of **PERIMETER PROPERTIES, LLC**, a Tennessee limited liability company, and that (s)he as such officer, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited liability company by her/himself as President.

WITNESS my hand, at office, this 5th day of August, 2010.

GAIL S. PHILLIPS STATE OF TENNESSEE NOTARY PUBLIC HAMILTON COUNTY

Gail S. Phillips
Notary Public
My Commission Expires: 1-22-2014

STATE OF TENNESSEE
COUNTY OF HAMILTON

Before me, the undersigned, a Notary Public in and for said county and state, personally appeared Gary D. Chazen, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged her/himself to be the President of **PIPE PROPERTIES, LLC**, a Tennessee limited liability company, and that (s)he as such officer, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited liability company by her/himself as President.

WITNESS my hand, at office, this 5th day of August, 2010.

GAIL S. PHILLIPS STATE OF TENNESSEE NOTARY PUBLIC HAMILTON COUNTY

Gail S. Phillips
Notary Public
My Commission Expires: 1-22-2014

STATE OF TENNESSEE
COUNTY OF HAMILTON

Before me, the undersigned, a Notary Public in and for said county and state, personally appeared Gary D. Chazen, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged her/himself to be the President of **GATEWAY VIEW, LLC**, a Tennessee limited liability company, and that (s)he as such officer, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited liability company by her/himself as President.

WITNESS my hand, at office, this 5th day of August, 2010.

GAIL S. PHILLIPS STATE OF TENNESSEE NOTARY PUBLIC HAMILTON COUNTY

Gail S. Phillips
Notary Public
My Commission Expires: 1-22-2014

STATE OF TENNESSEE
COUNTY OF HAMILTON

I, BENIC M. CLARK III, hereby swear or affirm that the actual consideration for this transfer is $50.00.

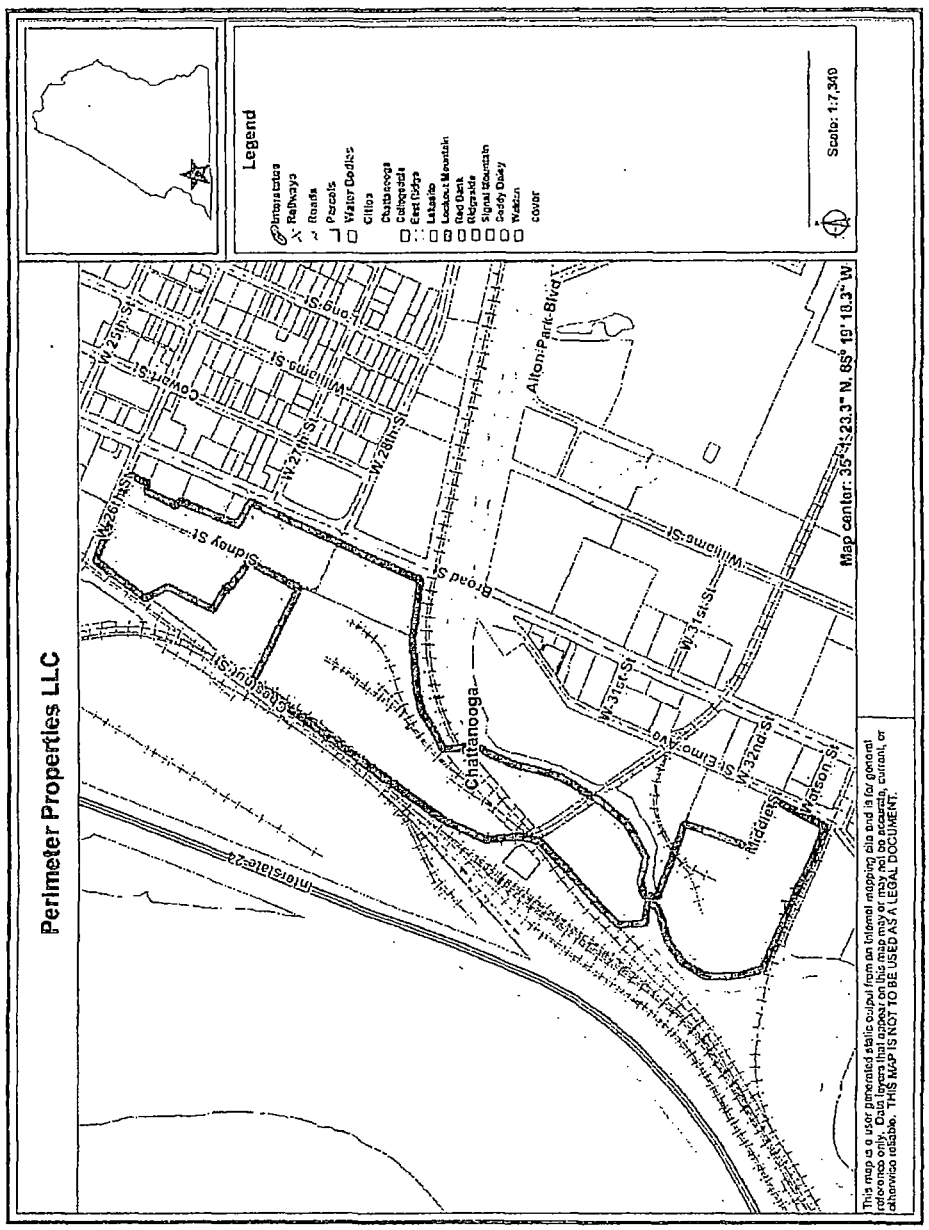
Benic M Clark III
Affiant

Subscribed and sworn to before me this 11th day of August, 2010.

Catherine C. Cox
Notary Public
My Commission Expires: 5-6-2014

CATHERINE C. COX STATE OF TENNESSEE NOTARY PUBLIC HAMILTON COUNTY

EXHIBIT A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Legend
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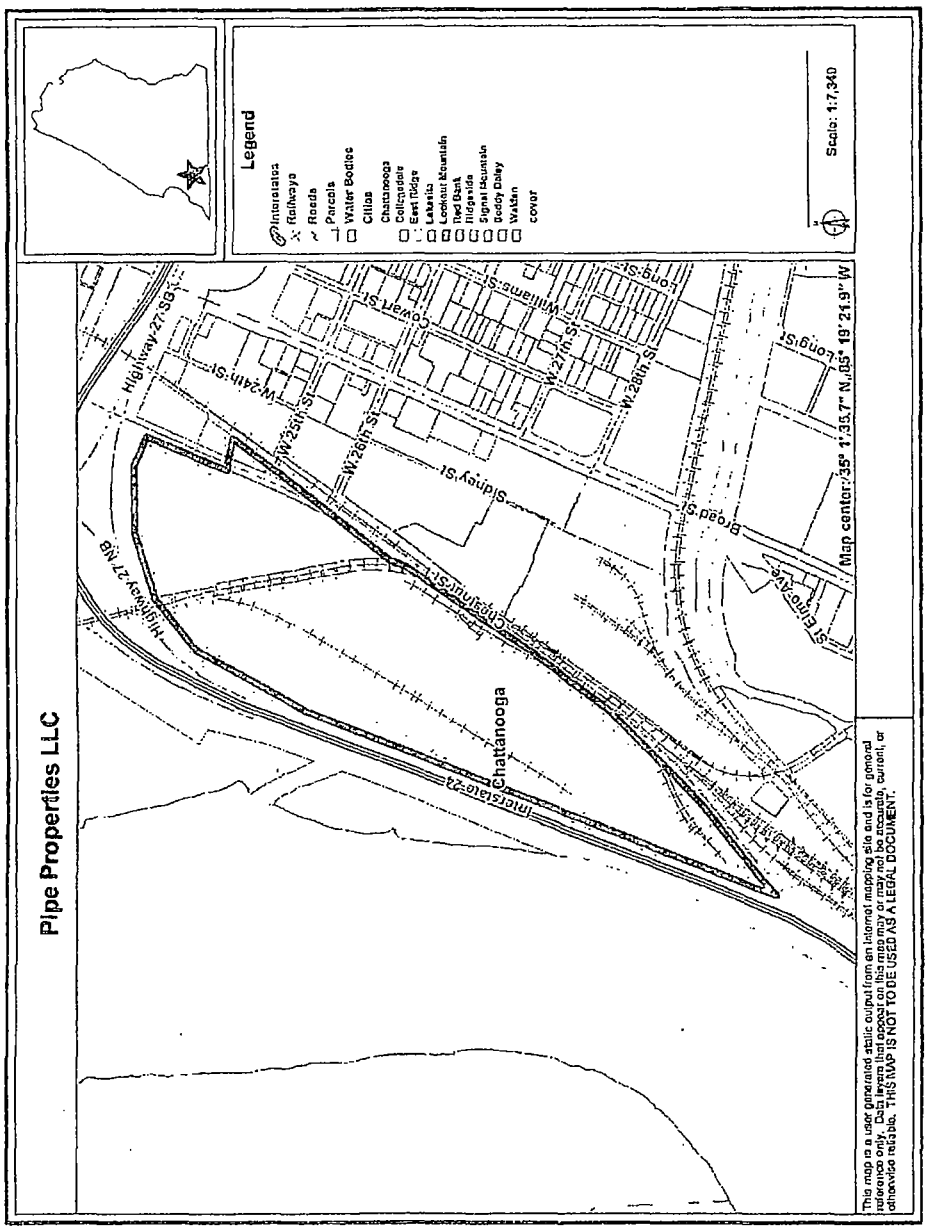
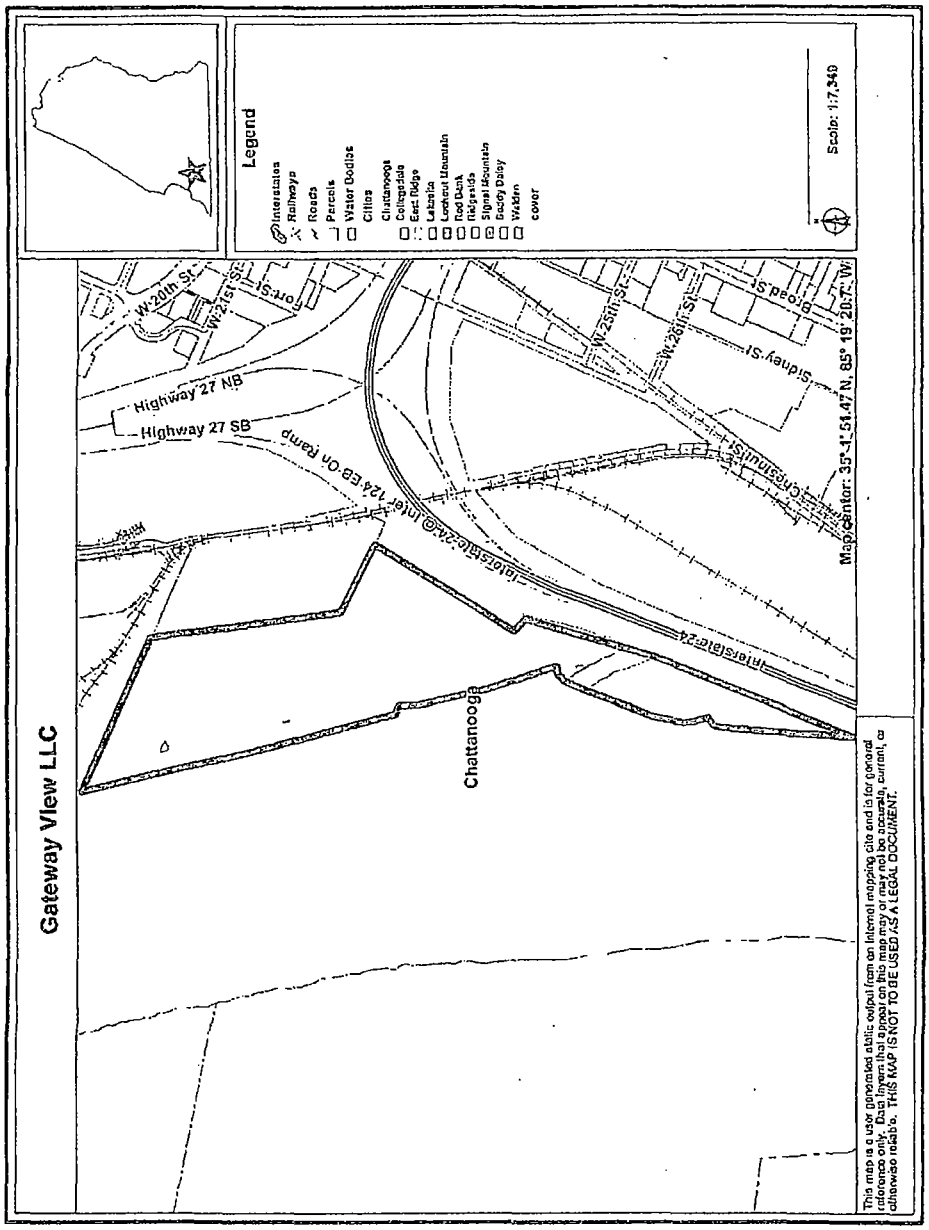
Chattanooga
Alton Park Blvd
Broad St
Williams St
Cowart St
Sidney St
W 25th St
W 26th St
W 27th St
W 28th St
W 31st St
W 32nd St
Glenwood Ave
Middle Rd
Watson St
Interstate 24


Pipe Properties LLC
Legend
Interstates
Railways
Roads
Parcels
Water Bodies
Cities
Chattanooga
Collegedale
East Ridge
Lakesite
Lookout Mountain
Red Bank
Ridgeside
Signal Mountain
Soddy Daisy
Walden
cover
Scale: 1:7,340
Map center: 35° 1'35.7" N, 85° 19'21.9" W
Chattanooga
Interstate-24
Interstate-75
Highway-27-NB
Highway-27-SB
W.24th St
W.25th St
W.26th St
W.27th St
W.28th St
Williams St
Vernon St
Long St
Broad St
Kelly St
E Main Ave
This map is a user generated static output from an Internet mapping site and is for general reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable. THIS MAP IS NOT TO BE USED AS A LEGAL DOCUMENT.


Gateway View LLC
Legend
Interstates
Railways
Roads
Parcels
Water Bodies
Cities
Chattanooga
Collegedale
East Ridge
Lafayette
Lookout Mountain
Red Bank
Ridgeside
Signal Mountain
Soddy Daisy
Walden
cover
Scale: 1:7,349
W 20th St
W 21st St
Highway 27 NB
Highway 27 SB
Interstate 24 EB On Ramp
Interstate 24
Interstate 24
W 25th St
W 26th St
Sidney St
Broad St
Chattanooga
Map Center: 35° 1' 51.47" N, 85° 19' 20.7" W
This map is a user generated static output from an Internet mapping site and is for general reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable. THIS MAP IS NOT TO BE USED AS A LEGAL DOCUMENT.

PERIMETER PROPERTIES, LLC PARCELS:

Parcel 1:

IN THE CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE:

Tract Two (2), Combustion Engineering, Inc., Subdivision as shown by plat of record in Plat Book 68, page 56, in the Register's Office of Hamilton County, Tennessee.

REFERENCE is made for prior title to Deed of record in Book 6443, page 686, in the Register's Office of Hamilton County, Tennessee.

Parcel 2:

IN THE CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE:

Tract Four (4), Combustion Engineering, Inc. Subdivision as shown by plat of record in Plat Book 46, page 143, it he Register's Office of Hamilton County, Tennessee.

EXCEPTING FROM SAID TRACT FOUR (4) the following: Lot One (1), Combustion Engineering Inc. Subdivision, as shown by plat of record in Plat Book 60, Page 17, in the Register's Office of Hamilton County, Tennessee.

REFERENCE is made for prior title to Deed of record in Book 6443, page 684, in the Register's Office of Hamilton County, Tennessee.

Parcel 3:

IN THE CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE:

TRACT ONE (1): Beginning at the intersection of the West line of St. Elmo Avenue and the South line of Middle Street; thence South along the West line of St. Elmo Avenue 284 feet, more or less, to the North line of the Louisville and Nashville spur line; thence West along the North line of said spur line 90 feet, more or less, to the Southeast corner of the North American Royalties, Inc. property; thence North along said line 284 feet, more or less, to the South line of Middle Street; thence East along the South line of Middle Street 90 feet, more or less, to the beginning.

TRACT TWO (2): Being Lots of Land Numbers Two (2), Three (3), Four (4), Five (5) and Six (6), located on the South side of Middle Street, sometimes called Center Street, and being a part of the twenty-acre tract of land of the W. H. Kirkland estate, as partitioned and platted and afterwards sold by the Clerk & Master of the Chancery Court of Hamilton County, Tennessee, on the 19th day of September, 1871, in the case of George E. Kirkland vs John F. Hamill et al in Cause No. 857, in the Chancery Court at Chattanooga, Tennessee, which plat is now found of record in Harrison Record Minutes Book B, page 718, in the Clerk & Master's Office of

Hamilton County, Tennessee, and also of record in Book A, Volume 8, page 572, in the Register's Office of Hamilton County, Tennessee.

TRACT THREE (3): A lot beginning in the center of Middle Street (formerly Center Street) at the center of the spur tract which runs to the J. H. Allison and Company packing house and ice factory (formerly the Scholze slaughter house and ice factory); running thence Northwardly with the center of said spur track a distance of 350 feet, more or less, to what was formerly Higley's line; thence West with what was formerly Higley's line to Chattanooga Creek; thence down the said Chattanooga Creek to the center of Middle Street; thence with the center line of Middle Street to the point of beginning.

EXCEPTING THEREFROM that portion thereof located within the bounds of Middle Street.

TRACT FOUR (4): Being a part of the aforesaid W. H. Kirkland Twenty-acre tract, beginning at a point 309-1/2 feet West of the center of St. Elmo Avenue as laid out; running thence Westwardly along the center of Middle Street, sometimes called Center Street, 199-1/2 feet, more or less, to the center of the spur track which runs to the slaughter house and ice factory upon a part of the lands described in Tract No. 13 above; thence Northwardly along the center of said spur track as at present laid down, a distance of 350 feet, more or less, to the South line of the land formerly owned by Highley; thence Eastwardly 199-1/2 feet, more or less, to a point from which a line at right angle to Center or Middle Street running South will strike the beginning point aforesaid; thence at right angles to the center of Middle Street to the beginning point.

EXCEPTING THEREFROM that portion thereof located within the bounds of Middle Street.

TRACT FIVE (5): Beginning at a point forty (40) feet measured Southeastwardly from and at right angles to the centerline of the Southbound main tract of the Atlanta Division, formerly the Chattanooga Division of the Louisville and Nashville Railroad Company, said point also being 25 feet measured Southwestwardly along a radial line from a point in the centerline of the Chattanooga Belt Railroad, which is in the vicinity of Broad Street and St. Elmo Avenue, in Chattanooga, Tennessee; thence following the curved boundary of the Chattanooga Belt Railway right-of-way line and 25 feet Westwardly from the centerline of said railway on a line defined by chords which have bearings and lengths of South 22 degrees 38 minutes East, 35.17 feet; South 27 degrees 11 minutes East, 49.96 feet; South 29 degrees 27 minutes East 46.96 feet; and South 30 degrees 30 minutes East, 27.71 feet; thence continuing on a line 25 feet Westwardly from and parallel to said Chattanooga Belt Railway with a bearing of South 31 degrees 28 minutes East 203.03 feet to the center of said Chattanooga Creek; thence downstream following the center of said creek South 40 degrees 05 minutes West, 77.91 feet; thence South 50 degrees 40 minutes West, 190.75 feet; thence South 81 degrees 23 minutes West, 106.09 feet; thence North 87 degrees 49 minutes West 120.06 feet; thence South 83 degrees 41 minutes West, 202.17 feet; thence leaving the creek on a bearing of North 3 degrees 45 minutes West 179.23 feet to a point 25 feet South of and at right angles to the centerline of the South bound main line of the Louisville and Nashville Railroad Company; thence parallel with and 25 feet South of the centerline of the said South bound main line on a bearing of North 50 degrees 55 minutes East, 569.62 feet to a point; thence South 39 degrees 38 minutes East 13.94 feet to a point; thence North 50 degrees 22 minutes East 4.53 feet, more or less, to the point of beginning.

TRACT SIX (6): Beginning at a point twenty-five (25) feet measured Eastwardly along a radial line from a point in the centerline of the Main Tract of the Chattanooga Belt Railway and 15 feet measured Northwestwardly at right angles from a point in the centerline of Louisville and Nashville Railroad Company side tract serving North American Royalties, Inc., Wheland Foundry Division; thence following a curve to the right at a distance of 25 feet Eastwardly from and parallel to the centerline of said Belt Railway on a line defined by chords which have bearings and lengths of North 6 degrees 26 minutes West, 50 feet; North 01 degrees 18 minutes East 50.01 feet; North 8 degrees 19 minutes East 50.01 feet; North 13 degrees 52 minutes East 50.01 feet; and North 18 degrees 09 minutes East, 5.2 feet to a spike set at the point of intersection of the Belt Railway right of way and the property line of North American Royalties, Inc., Wheland Foundry Division; thence leaving the said right of way boundary South 59 degrees 27 minutes East, on a line passing 22 feet right of one corner of a building and 10 feet right of the next corner, 125.34 feet to a spike, said spike being 15 feet North of the centerline of said Louisville and Nashville Railroad Company spur tract serving said property; thence parallel to and 15 feet North of the centerline of said spur tract on a curved line defined by chords with bearings and lengths of South 38 degrees 65 minutes West, 49.98 feet; South 41 degrees 47 minutes West, 49.98 feet; South 42 degrees 38 minutes West, 49.99 feet; and South 44 degrees 49 minutes West, 36.70 feet to the point of beginning.

TRACT SEVEN (7): All that portion of the following described land located Northwestwardly of the railroad right of way that is designated on Hamilton County, Tennessee, Tax Assessor's Maps as: L & N Railroad: Beginning at a stone in the middle of Sidney Street, on the Southern corporation line of the City of Chattanooga and at the point where Section 4, 5, 32 and 33 corner; running thence South 20 degrees West 450 feet, more or less, to the center of Chattanooga Creek; thence down the center of said Chattanooga creek with its meanderings 870 feet, more or less, to Scholze's line; thence with a continuation of Scholze's line North 68 degrees 25 minutes West 405 feet, more or less to the right of way of the belt railway, which said line, if continued would strike a cedar post near a cattle gap on the Nashville, Chattanooga & St. Louis Ry; thence Northwardly along the East line of the right of way of the Belt Railway 1060 feet, more or less, to a post on the Southern corporation line of the City of Chattanooga at Whelands corner; thence along said corporation line South 70 degrees East 595 feet, more or less, to the beginning stone, and being known as Tannery Place, and as shown by plat attached to deed described in Book R, Vol. 5, page 676.

TRACT EIGHT (8): Beginning at a point in the West line of Sidney Street, thence Southwardly, along the West line of said street, about 300 feet, more or less, to the South corporation line of the City of Chattanooga; thence Westwardly, along said corporation line, about 500 feet, more or less, to the right of way of the N.C. & St. L. Ry Co.; thence Northwardly, along said right of way, about 300 feet, more or less, to the Southwest corner of lot owned by the Casey & Hedges Mfg. Co.; thence Eastwardly, with the line of said company, about 500 feet, more or less, to the beginning point on the West line of Sidney St.; Said lot being the same conveyed to G. V. Wheland by two deeds, on by R. Cravens and wife C. E. W. Cravens, dated October 27, 1873, and registered in said County in Book Y, pages 436 and 437, in the Register's Office of Hamilton County, Tennessee; the other by W. B. Hope and wife, K. W. Hope, dated May 2, 1890, and registered in said County in Book B, Volume 4, page 227, in the Register's Office of Hamilton County, Tennessee.

TOGETHER WITH Reciprocal Easement Agreement of record in Book 6176, page 822, as amended by First Amendment to Reciprocal Easement Agreement of record in Book 6392, page 155, in the Register's Office of Hamilton County, Tennessee.

TOGETHER WITH that portion of abandoned Sidney Street (City of Chattanooga, Tennessee Ordinance 10882) bounded on the East by the centerline of said Sidney Street, on the West by the East line of the above described land, on the South and North by Eastward extensions of the South and North lines of the above described land. EXCEPTING THEREFROM that portion thereof located within the bounds of Lot One (1), Sidney Street Subdivision, as shown by plat of record in Plat Book 68, page 84, in the Register's Office of Hamilton County, Tennessee.

TRACT NINE (9): Being a part of Lot One (1), of the George L. Gillespie Estate, as shown by plat of record in Book "V", Volume 1, page 664, in the Register's Office of Hamilton County, Tennessee, and described as follows: Beginning at the Southwest intersection of Broad Street and West 28th Street; thence Southwardly along the Western line of Broad Street, to the Northern line of the property conveyed to the State of Tennessee for Railroad Re-location, as shown by instrument recorded in Book 1761, page 131, of said Register's Office; thence Westwardly along the Northern line of said Railroad Re-location property, to a point in the Eastern line of Sidney Street; thence Northwardly along the Eastern line of Sidney Street, to the Southern line of West 28th Street; thence Eastwardly along the Southern line of West 28th Street, to the point of beginning.

TOGETHER WITH that portion of abandoned Sidney Street (City of Chattanooga, Tennessee Ordinance 10882) bounded on the West by the centerline of said Sidney Street, on the East by the West line of the above described land, on the South and North by Westward extensions of the South and North lines of the above described land.

TRACT TEN (10): Being the North Eighty (80) feet of Lot Twelve (12), Vaughn's Addition. Said part of lot forms one tract of ground fronting 80 feet on the West line of Broad Street and extending back Westwardly, between parallel lines, 275 feet to the East line of Sydney Street, being bounded on the North by the South line of an unnamed street.

TOGETHER WITH that portion of abandoned Sidney Street (City of Chattanooga, Tennessee Ordinance 10882) bounded on the West by the centerline of said Sidney Street, on the East by the West line of the above described land, on the South and North by Westward extensions of the South and North lines of the above described land.

TOGETHER WITH that portion of abandoned Wheland Street (City of Chattanooga, Tennessee Ordinance 10882) bounded on the North by the centerline of said Wheland Street, on the South by the North line of the above described land, on the East and West by Northward extensions of the East and West lines of the above described lands.

REFERENCE is made for prior title to deed of record in Book 6951, page 417 and Articles of Merger recorded in Book 8640, page 860, in the Register's Office of Hamilton County, Tennessee.

PIPE PROPERTIES LLC PARCELS:

Parcel 1-A:

A parcel of land bounded on the Northwesterly side by the Northeasterly right-of-way of Interstate 24 and on the Northeasterly and Easterly sides by the right-of-way of the Louisville and Nashville Railroad Company. Said property being more particularly described as follows:

Beginning at a 5/8" rebar with cap at the intersection of the Northeasterly right-of-way of Interstate 24 and the Westerly right-of-way of the Louisville and Nashville Railroad Company; thence along said Westerly right-of-way the following sixteen calls: thence S 09°57'59" E 193.76 feet to a U.S. Pipe and Foundry Company monument; thence S 09°57'31" E 153.23 feet to a U.S. Pipe and Foundry Company monument; thence S 09°56'26'" E 388.45 feet to a U.S. Pipe and Foundry Company monument; thence S 09°56'29" E 213.28 feet to a U.S. Pipe and Foundry Company monument at the beginning of a curve to the right; thence along said curve to the right having a radius of 692.45 feet, a length of 564.51 feet and a delta angle of 46°42'34" (Chord: S 13°24'46" E 549.00 feet) to a 5/8" rebar with cap; thence S 36°46'05" W 903.34 feet to a U.S. Pipe and Foundry Company monument; thence S 36°46'05" W 77.79 feet to a 5/8" rebar with cap; thence S 39°49'49" W 100.00 feet to a 5/8" rebar with cap; thence S 38°23'56" W 40.27 feet to a 5/8" rebar with cap; thence S 39°17'25" W 50.28 feet to a 5/8" rebar with cap; thence S 42°47'47" W 50.47 feet to a U.S. Pipe and Foundry Company monument; thence S 46°41'12" W 74.64 feet to a 5/8" rebar with cap; thence S 46°46'39" W 74.98 feet to a 5/8" rebar with cap; thence S 48°17'44" W 75.01 feet to a 5/8" rebar with cap; thence S 50°28'14" W 108.73 feet to a U.S. Pipe and Foundry Company monument; thence S 50°37'28" W 668.13 feet to a 5/8" rebar with cap at the intersection of the Southwesterly right-of-way of the Louisville and Nashville Railroad and the Southeasterly right-of-way of Interstate 24; thence along said Northeasterly right-of-way the following eight calls: thence N 22°33'24" E 217.33 feet to a U.S. Pipe and Foundry Company monument; thence N 21°38'58" E 210.85 feet to a U.S. Pipe and Foundry Company monument; thence N 21°38'58" E 368.00 feet to a 5/8" rebar with cap; thence N 21°38'58" E 340.00 feet to a 5/8" rebar with cap; thence N 21°38'58" E 1237.39 feet to a 5/8" rebar with cap; thence N 23°37'56" E 293.41 feet to a U.S. Pipe and Foundry Company monument; thence N 31°34'17" E 493.08 feet to a 5/8" rebar with cap; thence N 48°39'40" E 288.43 feet to the Point of Beginning. Described parcel of land containing 39.41 acres, more or less.

Parcel 1-B:

A parcel of land bounded on the Northerly side by the Southerly right-of-way of Interstate 24, on the Southeasterly side by the rights-of-way of Chestnut Street and the Louisville and Nashville Railroad, and on the Westerly side by the right-of-way of the Louisville and Nashville Railroad. Said property being more particularly described as follows:

Commencing at a 5/8" rebar with cap at the intersection of the Northeasterly right-of-way of Interstate 24 and the Westerly right-of-way of the Louisville and Nashville Railroad Company; thence N 53°13'27" E 61.62 feet to a U.S. Pipe and Foundry Company monument at the intersection of the Southerly right-of-way of Interstate 24 and the Easterly right-of-way of the Louisville and Nashville Railroad Company, said point being the Point of Beginning of the

property herein described; thence along said Southerly right-of-way the following three calls: thence N 73°36'26" E 362.45 feet to a 5/8" rebar with cap; thence S 88°57'50" E 342.50 feet to a U.S. Pipe and Foundry Company monument; thence S 65°06'08" E 147.58 feet to a 5/8" rebar with cap at the Northwesterly right-of-way of Chestnut Street; thence S 24°29'19" W along said Northwesterly right-of-way 1032.38 feet to a 5/8" rebar with cap; thence S 65°38'08" E 32.49 feet to a U.S. Pipe and Foundry Company monument on the Northwesterly right-of-way line of the Louisville and Nashville Railroad and the Southerly right-of-way of West 26th Street; thence S 36°46'05" W along said Northwesterly right-of-way 414.52 feet to a 5/8" rebar with cap at the intersection of said right-of-way and the Easterly right-of-way of the Louisville and Nashville Railroad; thence along said Easterly right-of-way the following nine calls: thence N 08°44'34" E 51.42 feet to a 5/8" rebar with cap; thence N 03°22'54" E 101.41 feet to an iron pipe; thence N 00°19'55" W 49.94 feet to an iron pipe; thence N 03°54'43" W 50.01 feet to an iron pipe; thence N 07°06'36" W 49.99 feet to a 5/8" rebar with cap; thence N 09°37'39" W 155.33 feet to a U.S. Pipe and Foundry Company monument; thence N 10°04'50" W 434.68 feet to a U.S. Pipe and Foundry Company monument; thence N 18°20' 56" W 68.87 feet to a 5/8" rebar with cap; thence N 10°47'17" W 308.48 feet to the Point of Beginning. Described parcel of land containing 12.98 acres, more or less.

Parcel 1-C:

A parcel of land bounded on the Northerly side by the Southerly boundary of Robmer property, on the Easterly side by the Northwesterly right-of-way of the Louisville and Nashville Railroad, on the Southerly side by the Northerly right-of-way of West 25th Street. and on the Westerly side by the Northeasterly right-of-way of Chestnut Street. Said property being more particularly described as follows:

Beginning at a U.S. Pipe and Foundry Company monument at the intersection of the Northerly right-of-way of West 25th Street and the Northeasterly right-of-way of Chestnut Street; thence N 24°29'31" E along said Northeasterly right-of-way 213.17 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way S 65°44'40" E along the Southerly boundary of Robmer property 107.96 feet to a U.S. Pipe and Foundry Company monument on the Northwesterly right-of-way of the Louisville and Nashville Railroad; thence S 36°44'32" W along said Northwesterly right-of-way 218.65 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way N 65°27'07" W along the Northerly right-of-way of West 25th Street 61.57 feet to the Point of Beginning. Described parcel of land containing 0.42 acres, more or less.

Parcel 1-D:

A parcel of land bounded on the Northwesterly side by the Northeasterly right-of-way of Chestnut Street, on the Northeasterly side by the Southerly right-of-way of West 25th Street, and on the Southeasterly side by the Northwesterly right-of-way of the Louisville and Nashville Railroad. Said property being more particularly described as follows:

Beginning at a U.S. Pipe and Foundry Company monument at the intersection of the Southerly right-of-way of West 25th Street and the Northeasterly right-of-way of Chestnut Street; thence S

65°31'25" E along said Southerly right-of-way 50.26 feet to a U.S. Pipe and Foundry Company monument; thence leaving said right-of-way S 36°48'38" W along the Northwesterly right-of-way of the Louisville and Nashville Railroad 235.36 feet to a U.S. Pipe and Foundry Company monument on the Northeasterly right-of-way of Chestnut Street; thence leaving said right-of-way N 24°28'47" E along said Northeasterly right-of-way 229.93 feet to the Point of Beginning. Described parcel of land containing 0.13 acres, more or less.

Together with appurtenant rights, benefits and easements in favor of Grantor as set out in Deed from U.S. Pipe and Foundry Company to the State of Tennessee for the use and benefit of the Department of Highways dated March 12, 1965 and recorded in Book 1619, Page 324, in the Register's Office of Hamilton County, Tennessee.

Together with appurtenant rights, benefits and easements in and to the 40 foot private street described in Deed from Genevieve Allan Montague to United States Cast Iron Pipe & Foundry Company dated February 24, 1926, and recorded in Book I, Volume 20, Page 446, in the Register's Office of Hamilton County, Tennessee.

Together with appurtenant rights, easements and benefits set out and/or reserved in Deed from United States Pipe and Foundry Company to SFSI, LLC dated May 17, 1996, and recorded in Book 4683, Page 950, in the Register's Office of Hamilton County, Tennessee.

Together with a perpetual, non-exclusive easement for purposes of ingress and egress over and across the "Access Road" as identified and located on Survey by Wesley M. James dated May 16, 2006, last revised August 29, 2006, Drawing No. 11433-2-207.

The Source of Grantor's interest is found in Deed recorded in Book 8067, Page 904, in the Register's Office of Hamilton County, Tennessee.

GATEWAY VIEW, LLC PARCEL:

Parcel 2:

A parcel of land bounded on the Easterly side by the Northwesterly right-of-way of Interstate 24 and the Southwesterly boundary of Siskin Steel and Supply Company, on the Northerly side by the Southerly boundary of SFSI LLC and on the Westerly side by the Tennessee River. Said property being more particularly described as follows:

Commencing at a 5/8" rebar with cap at the intersection of the Northeasterly right-of-way of Interstate 24 and the Westerly right-of-way of the Louisville and Nashville Railroad Company; thence N 09°52'40" W 177.19 feet; thence N 23°28'06" W 85.55 feet; thence N 09°53'52'" W 39.28 feet; thence N 44°21'52" W 80.00 feet; thence N 09°42'44" W 113.24 feet; thence N 65°37'05" W 111.26 feet to a U.S. Pipe and Foundry Company monument at the intersection of the Northwesterly right-of-way of Highway 24 and the Southwesterly boundary of Siskin Steel and Supply Company property, said point being the Point of Beginning of the property herein described; thence along said Northeasterly right-of-way the following five calls: thence S 33°36'24" W 810.37 feet to a 5/8" rebar with cap; thence S 57°20'12" E 91.93 feet to a 5/8" rebar with cap; thence S 14°39'48" W 314.37 feet to a 5/8" rebar with cap; thence S 19°44'51" W

293.41 feet to a 5/8" rebar with cap; thence S 21°30'30" W 1298.28 feet to a 5/8" rebar with cap at the intersection of said Northwesterly right-of-way and the top of bank of the Tennessee River; thence Northerly along the irregular aforementioned top of bank, described by the following meander line; thence N 12°15'43" E 279.09 feet; thence N 17°21'53" E 256.20 feet; thence N 13°42'20" W 211.57 feet: thence N 11°24'50" E 378.07 feet; thence N 18°11'37" E 522.44 feet; thence N 06°32'04" E 152.78 feet; thence N 03°04'13" W 73.04 feet; thence N 11°38'17" W 534.78 feet; thence N 29°07'32" W 158.86 feet; thence N 12°17'22" W 653.68 feet; thence N 06°42'49" W 219.14 feet; thence N 22°17'21" W 147.34 feet; thence N 08°41'06" W 354.55 feet; thence N 17°19'23" W 173.26 feet to a U.S. Pipe and Foundry Company monument at the intersection of the Northerly boundary of the described property and the Southerly boundary of SFSI LLC property with said top of bank; thence along said Southerly boundary of SFSI LLC property S 65°20'58" E 800.76 feet to a U.S. Pipe and Foundry Company monument on the Westerly boundary of Siskin Steel and Supply Company property; thence along said Westerly boundary the following three calls: thence S 06°59'32" E 624.65 feet to a U.S. Pipe and Foundry Company monument; thence S 06°59'32" E 359.59 feet to a 5/8" rebar with cap; thence S 65°18'14" E 387.63 feet to the Point of Beginning. Described parcel of land containing 35.19 acres, more or less.

Together with appurtenant rights, benefits and easements in favor of Grantor as set out in Deed from U.S. Pipe and Foundry Company to the State of Tennessee for the use and benefit of the Department of Highways dated March 12, 1965 and recorded in Book 1619, Page 324, in the Register's Office of Hamilton County, Tennessee.

Together with appurtenant rights, benefits and easements in and to the 40 foot private street described in Deed from Genevieve Allan Montague to United States Cast Iron Pipe & Foundry Company dated February 24, 1926, and recorded in Book I, Volume 20, page 446, in the Register's Office of Hamilton County, Tennessee.

Together with appurtenant rights, easements and benefits set out and/or reserved in Deed from United States Pipe and Foundry Company to SFSI, LLC dated May 17, 1996, and recorded in Book 4683, Page 950, in the Register's Office of Hamilton County, Tennessee.

The Source of Grantor's interest is found in Deed recorded in Book 8067, Page 913, in the Register's Office of Hamilton County, Tennessee.

RETURN TO NORTHGATE TITLE ESCROW, INC.

Nancy L. Worley
Secretary of State

P.O. Box 5616
Montgomery, AL 36103-5616

STATE OF ALABAMA

I, Nancy L. Worley, Secretary of State of the State of Alabama, having custody of the Great and Principal Seal of said State, do hereby certify that

as appears on file and of record in this office, the pages hereto attached, contain a true, accurate and literal copy of articles of organization of United States Pipe and Foundry Company, LLC, as received and filed in the office of the Secretary of State of Alabama on September 23, 2005, showing the date of organization as September 23, 2005, the date said instrument was filed in the Judge of Probate of Jefferson County.

Instrument: 2005103100455
Book and Page: GI 7730 151
Charter Fee $5.00
Data Processing F $2.00
Total Fees: $7.00
User: KHOWARD
Date: 31-OCT-2005
Time: 04:43:54 P
Contact: Pam Hurst, Register
Hamilton County Tennessee

In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State, at the Capitol, in the City of Montgomery, on this day.

09/23/05

Date

Nancy L. Worley

Nancy L. Worley **Secretary of State**

Book and Page: GI 7730 152

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#	
Posted by:	Checked by:

# 469116	
Posted by: SLU	Checked by:

ARTICLES OF ORGANIZATION
OF
UNITED STATES PIPE AND FOUNDRY COMPANY, LLC

September 23, 2005

Pursuant to the provisions of the Alabama Limited Liability Company Act and the Alabama Business Entities Conversion and Merger Act, the undersigned hereby adopts the following Articles of Organization.

ARTICLE I. The name of the limited liability company is United States Pipe and Foundry Company, LLC (the "Company").

ARTICLE II. The former name of the Company was United States Pipe and Foundry Company, Inc., a domestic, for-profit corporation duly organized and existing under the laws of the State of Alabama (the "Corporation"). The Corporation was converted to the Company pursuant to the Alabama Business Entities Conversion and Merger Act. The Corporation filed its original Articles of Incorporation with the Probate Judge of Jefferson County, Alabama on May 16, 1996. The Corporation filed its Articles of Dissolution with the Probate Judge of Jefferson County, Alabama on September 23, 2005.

ARTICLE III. The sole stockholder of the Corporation approved the conversion of the Corporation to the Company on September 23, 2005, pursuant to Section 10-15-3(a)(1) of the Alabama Business Entities Conversion and Merger Act.

ARTICLE IV. The duration of the Company is perpetual.

ARTICLE V. The purpose of the Company is to engage in any lawful act or activity for which limited liability companies may be organized under the Alabama Limited Liability Act.

ARTICLE VI. The registered office of the Company shall be located at 1819 Fifth Avenue North, Birmingham, Alabama 35203 and the name of the registered agent at that office shall be Frederic L. Smith.

ARTICLE VII. The sole member of the Company is Mueller Holding Company, Inc., located at 4211 W. Boy Scout Blvd., Tampa, Florida 33607.

ARTICLE VIII. The initial managers of the Company shall be Joseph Troy and Victor Patrick, and the mailing address of each manager is P.O. Box 10406, Birmingham, Alabama 35202.

RECEIVED
SEP 23 2005
SECRETARY OF STATE

1/1376546.2

ARTICLE IX. The sole member shall have the right to admit additional members of the Company in accordance with the Operating Agreement of the Company.

ARTICLE X. The cessation of membership of the last remaining member of the Company will result in the dissolution of the Company, unless (i) the holders of all the financial rights in the Company agree in writing, within ninety (90) days after the cessation of membership of the last member, to continue the legal existence of the Company and to appoint one or more new members of the Company, as permitted pursuant to Section 10-12-37(3) of the Act, or (ii) the legal existence and business of the Company is continued and one or more new members are admitted as a member or members of the Company.

ARTICLE XI. The regulation of the internal affairs of the Company shall be governed by the Operating Agreement of the Company, as it may be amended from time to time.

[Rest of page intentionally left blank]

Book and Page: GI 7730 154

IN WITNESS WHEREOF, the undersigned, as the sole member of the Company, has executed these Articles of Organization as of the date first set forth above.

MUELLER HOLDING COMPANY, INC.

By: _____
Name: Joseph J. Troy
Title: President

State of Alabama - Jefferson County
I certify this instrument filed on:
2005 SEP 23 11:30:51:25AM
Recorded and $ Mtg. Tax
and $ 36.00 Deed Tax and Fee Amt. 36.00
$ Total $
MARK GAINES, Judge of Probate
200513/1157

1/1376546.2

MWPS010051

State of Alabama
Jefferson County

I, the Undersigned, as Judge of Probate in and for said County, in said State, hereby certify that the foregoing is a full, true and correct copy of the instrument with the filing of same as appears of record in this office in vol. 20053 page 1157

Given under my hand and official seal, this the 23 day of Sept, 2005

Mark Gaines
Judge of Probate

ARTICLES OF MERGER
of
UNITED STATES PIPE AND FOUNDRY COMPANY,
a Delaware Corporation,
and
USPF, INC.,
an Alabama Corporation

In accordance with the provisions of Sections 10-2B-11.05 and 10-2B-11.07 of the Alabama Business Corporation Act, United States Pipe and Foundry Company, a Delaware corporation, and USPF, Inc., an Alabama corporation, adopt the following Articles of Merger for the purpose of merging United States Pipe and Foundry Company, a Delaware corporation, into USPF, Inc., an Alabama corporation:

1. The law of the State of Delaware permits such merger.

2. The surviving corporation is and will be USPF, Inc., an Alabama corporation. At the Effective Time of the Merger, the Articles of Incorporation of USPF, Inc. in effective immediately prior to the Effective Time of the Merger shall be amended to change the name of USPF, Inc. to United States Pipe and Foundry Company, Inc.

3. The plan of merger approved by the corporations is as set forth in the Agreement and Plan of Merger which is attached hereto as Schedule I and made a part hereof.

4. United States Pipe and Foundry Company, a Delaware corporation, has issued and outstanding 1,000 shares of its common stock, $0.01 par value, each of which was entitled to one vote with respect to the plan of merger. USPF, Inc., an Alabama corporation, has issued and outstanding 1,000 shares of its common stock, $0.01 par value, each of which was entitled to one vote with respect to the plan of merger.

5. One Thousand (1,000) shares of the common stock of United States Pipe and Foundry Company, a Delaware corporation, were voted in favor of the said plan of merger and no shares of the common stock of said corporation were voted against said plan of merger. 1,000 shares of the common stock of USPF, Inc., an Alabama corporation, were voted in favor of the said plan of merger and no shares of the common stock of said corporation were voted against said plan of merger.

6. In accordance with Section 10-2B-11.05 of the Alabama Business Corporation Act, the Articles of Incorporation of USPF, Inc., an Alabama corporation, are filed with the Jefferson County Judge of Probate.

IN WITNESS WHEREOF, each of the constituent corporations has duly caused these Articles of Merger to be executed by its duly authorized officers as of this 31st day of May, 1996.

USPF, INC.,
an Alabama Corporation

By: _____
W. N. Temple
Its President and Chief Operating Officer

UNITED STATES PIPE AND FOUNDRY COMPANY,
a Delaware corporation

By: _____
W. N. Temple
Its President and Chief Operating Officer

Schedule I

AGREEMENT

and

PLAN OF MERGER

Between

USPF, INC.,
an Alabama corporation

and

UNITED STATES PIPE AND FOUNDRY COMPANY,
a Delaware corporation

Dated as of May 31, 1996

TABLE OF CONTENTS

ARTICLE VI.

EFFECT OF THE MERGER

ARTICLE VII.

TERMINATION

ARTICLE VIII.

AGREEMENT TO SERVICE OF PROCESS IN DELAWARE

ARTICLE IX.

MISCELLANEOUS PROVISIONS

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of May 31, 1996, between USPF, INC, an Alabama corporation (herein called "USPF-AL"), and UNITED STATES PIPE AND FOUNDRY COMPANY, a Delaware corporation (herein called "USPF-DE," and USPF-AL and USPF-DE being sometimes herein together referred to as the "Constituent Corporations"),

W I T N E S S E T H:

WHEREAS, all of the issued and outstanding capital stock of USPF-AL is owned by USPF-DE; and

WHEREAS, the boards of directors of USPF-AL and USPF-DE, respectively, deem it advisable for the general welfare and advantage of their respective corporations and their respective shareholders and stockholders that USPF-DE merge with and into USPF-AL pursuant to this Agreement and Plan of Merger and pursuant to applicable law (such transaction being herein called the "Merger"); and

WHEREAS, the respective boards of directors of the Constituent Corporations have approved this Agreement and Plan of Merger and have directed that this Agreement and Plan of Merger be submitted to the stockholders or shareholders, as the case may be, of each of the Constituent Corporations for their approval;

NOW, THEREFORE, in consideration of the premises and the agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree with each other that USPF-DE shall be merged with and into USPF-AL as the surviving corporation in accordance with the applicable laws of the States of Alabama and Delaware and that the terms and conditions of the Merger and the mode of carrying it into effect are and shall be as follows:

ARTICLE I.

DEFINITIONS

In addition to the words and terms defined elsewhere herein, the words and terms defined in this Article I shall, for all purposes of this Agreement and Plan of Merger, have the meanings herein specified, unless the context expressly or by necessary implication otherwise requires:

1.1. "Agreement" or "this Agreement" shall mean this Agreement and Plan of Merger as the same may be supplemented or amended from time to time;

1.2. "Effective Time of the Merger" shall have the meaning specified in Section 2.4 of this Agreement;

1.3. "Merger" shall mean the merger of USPF-DE with and into USPF-AL in accordance with this Agreement and applicable law; and

1.4. "Surviving Corporation" shall mean USPF-AL and its successors and assigns, as provided in Section 2.2 of this Agreement.

ARTICLE II.

CONSTITUENT AND SURVIVING CORPORATIONS; CAPITALIZATION; MERGER; EFFECTIVE TIME

2.1. Constituent Corporations. The names of the corporations which are the constituent corporations to the Merger are USPF, Inc., an Alabama corporation, and United States Pipe and Foundry Company, a Delaware corporation.

2.2. Surviving Corporation. The surviving corporation is and will be USPF, Inc., an Alabama corporation. At the Effective Time of the Merger, the Articles of Incorporation of USPF, Inc. in effect immediately prior to the Effective Time of the Merger shall be amended to change the name of USPF, Inc. to United States Pipe and Foundry Company, Inc.

2.3. Capitalization of Constituent Corporations.

(a) USPF-AL. Immediately prior to the Effective Time of the Merger, USPF-AL shall have authorized 1,000 shares of Common Stock, par value $0.01 per share (herein called "USPF-AL Common Stock"), of which 1,000 shares shall be issued and outstanding and all of said shares shall be owned by USPF-DE. The holder of the shares of USPF-AL Common Stock is entitled to vote with respect to the Merger.

(b) USPF-DE. Immediately prior to the Effective Time of the Merger, USPF-DE shall have authorized 1,000 shares of Common Stock, par value $0.01 per share (herein called "USPF-DE Common Stock"), of which 1,000 shares shall be issued and outstanding and 1,000 shares shall be owned by Walter Industries, Inc., a Delaware corporation. The holder of the shares of USPF-DE Common Stock is entitled to vote with respect to the Merger.

2.4. Merger. Subject to the terms and conditions of this Agreement, in accordance with the provisions of the Alabama Business Corporation Act and the General Corporation Law of the State of Delaware, USPF-DE shall be merged with and into USPF-AL, which shall be the Surviving Corporation.

The Merger shall not become effective until, and shall become effective upon, the happening of all of the following:

(i) The filing of this Agreement, properly certified, executed and acknowledged by each of the Constituent Corporations after the adoption and approval of this Agreement by the stockholders or shareholders of each thereof, or the filing of an executed certificate of merger, with the Secretary of State of the State of Delaware (herein called the "Delaware Certificate of Merger"), who shall transmit a copy of such Agreement or certificate of merger, as the case may be, for recordation in the Office of the Recorder of Deeds of New Castle County, Delaware.

(ii) The filing of executed articles of merger (herein called the "Alabama Articles of Merger") with the Secretary of State of the State of Alabama in accordance with Sections 10-2B-11.05 and 10-2B-11.07 of the Code of Alabama of 1975, or the successor provisions thereto, as the case may be.

(iii) The arrival of 5:00 p.m., Central Daylight Time, on May 31, 1996.

The time when the Merger shall become effective is herein called the "Effective Time of the Merger."

ARTICLE III.

GOVERNING LAW; CERTIFICATE OF INCORPORATION; BY-LAWS

3.1. Governing Law. USPF-AL, as the Surviving Corporation, shall be governed by the laws of the State of Alabama.

3.2. Articles of Incorporation. (a) At the Effective Time of the Merger, Article 1 of the Articles of Incorporation of USPF-AL in effect immediately prior to the Effective Time of the Merger shall be amended to read as follows: "The name of the corporation is United States Pipe and Foundry Company, Inc."

(b) As so amended, the articles of incorporation of USPF-AL, shall be the articles of incorporation of the Surviving Corporation from and after the Effective Time of the Merger until amended or restated as therein or by law provided.

3.3. By-laws. The by-laws of USPF-AL as in effect immediately prior to the Effective Time of the Merger shall continue in force and be the by-laws of the Surviving Corporation after the Effective Time of the Merger until amended as therein or by law provided.

ARTICLE IV.

BOARD OF DIRECTORS AND OFFICERS OF SURVIVING CORPORATION

4.1. Board of Directors of Surviving Corporation. From and after the Effective Time of the Merger and until the annual meeting of shareholders of USPF-AL next following the Effective Time of the Merger, and thereafter until their successors shall have been duly elected and qualify, the members of the Board of Directors of the Surviving Corporation shall be the members of the Board of Directors of USPF-AL immediately prior to the Effective Time of the Merger.

4.2. Officers of Surviving Corporation. From and after the Effective Time of the Merger and until their successors shall have been duly elected and qualify or until their earlier resignation or removal, the officers of the Surviving Corporation shall be the officers of USPF-AL immediately prior to the Effective Time of the Merger.

ARTICLE V.

MANNER OF CONVERTING SHARES; CAPITALIZATION

5.1. Stock of USPF-DE. At the Effective Time of the Merger, each share of USPF-DE Common Stock issued immediately prior to the merger, including, without limitation, each share of USPF-DE Common Stock held as treasury stock, shall be automatically converted into and become, without further action by the holder thereof, one share of USPF-AL Common Stock. As of and after the Effective Time of the Merger, each outstanding certificate which prior to the Effective Time of the Merger represented shares of USPF-DE Common Stock shall be deemed for all purposes to evidence ownership of, and to represent an equal number of, shares of USPF-AL Common Stock.

5.2. Stock of USPF-AL. Upon the Effective Time of the Merger, by virtue of the merger and without any action on the part of the holder thereof, each share of USPF-AL Common Stock outstanding immediately prior thereto shall be canceled and returned to the status of authorized but unissued shares.

ARTICLE VI.

EFFECT OF THE MERGER

6.1. Rights, Privileges, etc. At the Effective Time, the Surviving Corporation, without further act, deed or other transfer, shall retain or succeed to, as the case may be, and possess and be vested with, all rights, privileges, immunities, powers, franchises and authority, of a public as well as of a private nature of the Constituent Corporations; all property of every description and every interest therein and all debts and other obligations of or belonging to or due to the Constituent Corporations on whatever account shall thereafter be taken and deemed to be held by or transferred to, as the case may be, or vested in the Surviving Corporation without further act or deed; title to any real estate, or any interest therein, vested in the Constituent Corporations shall not revert or in any way be impaired by reason of the Merger; and all of the rights of creditors of the Constituent Corporations shall be preserved unimpaired, and all liens upon the property of the Constituent Corporations shall be preserved unimpaired, and such debts, liabilities, obligations and duties of the Constituent Corporations shall thenceforth, remain with or attach to, as the case may be, the Surviving Corporation and may be enforced against it to the same extent as if all such debts, liabilities, obligations and duties had been incurred or contracted by it.

6.2. Employee Benefit Plans. At the Effective Time of the Merger, the Surviving Corporation will automatically assume all obligations of USPF-DE under any and all

employee benefit plans in effect as of the Effective Time of the Merger or with respect to which employee rights or accrued benefits are outstanding as of the Effective Time of the Merger.

6.3. Options, Warrants and Rights. Each outstanding option, warrant or right to acquire shares of USPF-DE Common Stock which are not exercised prior to the Effective Time shall, at the Effective Time, be converted into the right to receive the same number of shares of Common Stock of the Surviving Corporation subject to the terms, conditions and provisions for adjustment to which such options, warrants or rights were previously subject.

6.4. Survival of USPF-AL. At the Effective Time of the Merger, the separate corporate existence of USPF-DE shall cease, except insofar as it may be continued by statute, and it shall be merged with and into USPF-AL, the Surviving Corporation, with the effects set forth in the Alabama Business Corporation Act and the General Corporation Law of the State of Delaware.

6.5. Further Action. USPF-DE shall, to the extent permitted by law, from time to time, as and when requested by the Surviving Corporation or by its successors or assigns, execute and deliver, or cause to be executed and delivered, all such deeds and instruments and take, or cause to be taken, such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of any property of said corporation acquired or to be acquired by reason or as a result of the Merger and otherwise to carry out the intent and purposes of this Agreement, and the proper officers and directors of USPF-DE and of the Surviving Corporation are hereby authorized, in the name of USPF-DE or USPF-AL or otherwise, to take any and all such action.

ARTICLE VII.

TERMINATION

This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time of the Merger, whether before or after approval of this Agreement by the shareholders or stockholders, as the case may be, of any of the Constituent Corporations, by resolution of the board of directors of any of the Constituent Corporations, if any circumstances develop which in the opinion of such board of directors make proceeding with the Merger inadvisable. In the event of such termination and abandonment, this Agreement shall become void and have no effect, without any liability on the part of any of the Constituent Corporations or their stockholders or shareholders, directors, or officers with respect thereto.

ARTICLE VIII.

AGREEMENT TO SERVICE OF PROCESS IN DELAWARE

The Surviving Corporation agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of USPF-DE and in any proceeding for enforcement of the rights of a dissenting stockholder of USPF-DE against the Surviving Corporation, and hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in such proceeding. The Surviving Corporation hereby agrees that it will promptly pay to the dissenting stockholders of USPF-DE the amount, if any, to which they may be entitled under the provisions of Section 262 of the General Corporation Law of Delaware or any successor chapter thereto, as the case may be, with respect to the rights of dissenting stockholders. Such agreement shall be contained in the Delaware Certificate of Merger.

ARTICLE IX.

MISCELLANEOUS PROVISIONS

9.1. Amendment and Modification; Waiver; Etc. The parties hereto, by mutual agreement in writing approved by their respective boards of directors, or their respective officers authorized by their respective board of directors, may amend, modify and supplement this Agreement in any respect.

9.2. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama, except to the extent the corporate laws of the State of Delaware shall apply to USPF-DE.

9.3. Successors and Assigns. This Agreement and all of the provisions hereof shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

9.4. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.5. Headings. The headings of the Sections and Articles of this Agreement are inserted for convenience only and shall not constitute a part hereof.

9.6. Entire Agreement. This Agreement, including the other documents referred to herein which form a part hereof, contains the entire understanding of the parties hereto with respect to the subject matter contained herein. There are no restrictions, promises, warranties, covenants, or undertakings, other than those expressly set forth herein. This Agreement supersedes all prior agreements and understandings, whether oral or written, between the parties with respect to such subject matter.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be affixed hereto on the date first above written.

USPF, INC.,
an Alabama corporation

By: _____
W. N. Temple
Its: President and Chief Operating Officer

[CORPORATE SEAL]

ATTEST:

By: _____
Joseph W. Spransy
Its: Assistant Secretary

UNITED STATES PIPE AND FOUNDRY COMPANY,
a Delaware corporation

By: _____
W. N. Temple
Its: President and Chief Operating Officer

[CORPORATE SEAL]

ATTEST:

By: _____
Joseph W. Spransy
Its: Assistant Secretary

CERTIFICATE OF THE SECRETARY OF USPF, INC.

I, Joseph W. Spransy, as Assistant Secretary of USPF, Inc., an Alabama corporation, do hereby certify under the seal of said corporation that the foregoing Agreement and Plan of Merger of USPF, Inc., an Alabama corporation, and United States Pipe and Foundry Company, a Delaware corporation, was approved and adopted by the written consent of the sole shareholder of USPF, Inc., an Alabama corporation, following its adoption by unanimous written consent of the board of directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand under the seal of said corporation in my capacity as aforesaid, and have caused this certificate to be dated as of the 31st day of May, 1996.

[CORPORATE SEAL]

Joseph W. Spransy
As Assistant Secretary of
USPF, Inc.,
an Alabama corporation

CERTIFICATE OF THE SECRETARY OF UNITED STATES PIPE AND FOUNDRY COMPANY

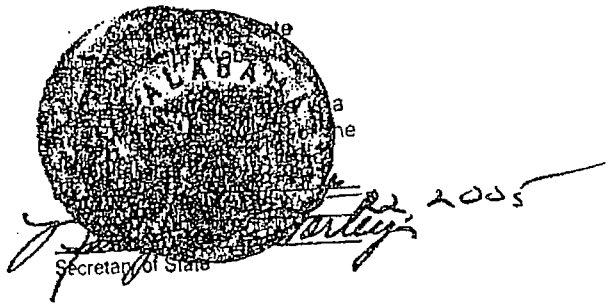
I, Joseph W. Spransy, as Assistant Secretary of United States Pipe and Foundry Company, a Delaware corporation, do hereby certify under the seal of said corporation that the foregoing Agreement and Plan of Merger of USPF, Inc., an Alabama corporation, and United States Pipe and Foundry Company, a Delaware corporation, was approved and adopted by the written consent of the sole stockholder of United States Pipe and Foundry Company, a Delaware corporation, following its adoption by unanimous written consent of the board of directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand under the seal of said corporation in my capacity as aforesaid, and have caused this certificate to be dated as of the 31st day of May, 1996.

[CORPORATE SEAL]

Joseph W. Spransy
As Assistant Secretary of
United States Pipe and Foundry Company,
a Delaware corporation

Book and Page: GI 7730 150



Delaware

The First State

RETURN TO NORTHGATE Title Boundary, Inc.

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "U.S. PIPE HOLDINGS CORPORATION", CHANGING ITS NAME FROM "U.S. PIPE HOLDINGS CORPORATION" TO "UNITED STATES PIPE AND FOUNDRY COMPANY", FILED IN THIS OFFICE ON THE EIGHTEENTH DAY OF MAY, A.D. 1988, AT 10:01 O'CLOCK A.M.

Instrument: 2005103100453
Book and Page: GI 7730 131
Charter Fee $5.00
Data Processing F $2.00
Total Fees: $7.00
User: KHOWARD
Date: 31-OCT-2005
Time: 04:43:54 P
Contact: Pam Hurst, Register
Hamilton County Tennessee

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2137000 8100

050689541

AUTHENTICATION: 4106359

DATE: 08-22-05

MWPS010070

Book and Page: 61 7730 132

888139003

43235012CS0626A

10:01 AM
FILED

MAY 18 1988

RETURN TO NORTHGATE TITLE COMPANY

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

U.S. PIPE HOLDINGS CORPORATION

* * * * *

Pursuant to Section 242 of the General Corporation Law of the State of Delaware

* * * * *

U.S Pipe Holdings Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), DOES HEREBY CERTIFY that:

FIRST: Article I of the Certificate of Incorporation of the Corporation be, and it hereby is, amended to read as follows:

"1. The name of the Corporation is United States Pipe and Foundry Company."

SECOND: The amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

RETURN TO [illegible]

IN WITNESS WHEREOF, U.S. Pipe Holdings Corporation has caused this Certificate to be signed by E.J. Mize, Jr. its Vice President-Finance and Treasurer, and attested by Joseph W. Spransy, its Assistant Secretary this 17th day of May, 1988.

U.S. PIPE HOLDINGS
CORPORATION

BY _____
E.J. Mize, Jr.
Vice President-
Finance and Treasurer

ATTEST:

_____
Joseph W. Spransy
Assistant Secretary

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE CERTIFICATE OF MERGER, WHICH MERGES:

"UNITED STATES PIPE AND FOUNDRY COMPANY", A DELAWARE CORPORATION,

WITH AND INTO "USPF, INC." UNDER THE NAME OF "UNITED STATES PIPE AND FOUNDRY COMPANY, INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF ALABAMA, WAS RECEIVED AND FILED IN THIS OFFICE THE THIRTY-FIRST DAY OF MAY, A.D. 1996, AT 12:30 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ALABAMA.

Instrument: 2003110600374
Book and Page: GI 6923 505
Charter Fee $12.00
Data Processing F $2.00
Total Fees: $14.00
User: KSPRUIELL
Date: 06-NOV-2003
Time: 03:58:04 P
Contact: Pam Hurst, Register
Hamilton County Tennessee

Edward J. Freel, Secretary of State

2137000 8330

960173775

AUTHENTICATION: 7986289

DATE: 06-14-96

FILED IN OFFICE
MAY 31 1996
5:00 PM
SECRETARY OF STATE

ARTICLES OF MERGER
of
UNITED STATES PIPE AND FOUNDRY COMPANY,
a Delaware Corporation,
and
USPF, INC.,
an Alabama Corporation

Book and Pages GI 6923 506

In accordance with the provisions of Sections 10-2B-11.05 and 10-2B-11.07 of the Alabama Business Corporation Act, United States Pipe and Foundry Company, a Delaware corporation, and USPF, Inc., an Alabama corporation, adopt the following Articles of Merger for the purpose of merging United States Pipe and Foundry Company, a Delaware corporation, into USPF, Inc., an Alabama corporation:

1. The law of the State of Delaware permits such merger.

2. The surviving corporation is and will be USPF, Inc., an Alabama corporation. At the Effective Time of the Merger, the Articles of Incorporation of USPF, Inc. in effective immediately prior to the Effective Time of the Merger shall be amended to change the name of USPF, Inc. to United States Pipe and Foundry Company, Inc.

3. The plan of merger approved by the corporations is as set forth in the Agreement and Plan of Merger which is attached hereto as Schedule I and made a part hereof.

4. United States Pipe and Foundry Company, a Delaware corporation, has issued and outstanding 1,000 shares of its common stock, $0.01 par value, each of which was entitled to one vote with respect to the plan of merger. USPF, Inc., an Alabama corporation, has issued and outstanding 1,000 shares of its common stock, $0.01 par value, each of which was entitled to one vote with respect to the plan of merger.

5. One Thousand (1,000) shares of the common stock of United States Pipe and Foundry Company, a Delaware corporation, were voted in favor of the said plan of merger and no shares of the common stock of said corporation were voted against said plan of merger. 1,000 shares of the common stock of USPF, Inc., an Alabama corporation, were voted in favor of the said plan of merger and no shares of the common stock of said corporation were voted against said plan of merger.

6. In accordance with Section 10-2B-11.05 of the Alabama Business Corporation Act, the Articles of Incorporation of USPF, Inc., an Alabama corporation, are filed with the Jefferson County Judge of Probate.

Book and Page: GI 6923 507

IN WITNESS WHEREOF, each of the constituent corporations has duly caused these Articles of Merger to be executed by its duly authorized officers as of this 31st day of May, 1996.

USPF, INC.,
an Alabama Corporation

By: _____
W. N. Temple
Its President and Chief Operating Officer

UNITED STATES PIPE AND FOUNDRY COMPANY,
a Delaware corporation

By: _____
W. N. Temple
Its President and Chief Operating Officer

Schedule I

Book and Page: GI 6923 508

AGREEMENT

and

PLAN OF MERGER

Between

USPF, INC.,
an Alabama corporation

and

UNITED STATES PIPE AND FOUNDRY COMPANY,
a Delaware corporation

Dated as of May 31, 1996

TABLE OF CONTENTS

ARTICLE I.

Book and Page: GI 6923 509

DEFINITIONS

ARTICLE II.

CONSTITUENT AND SURVIVING CORPORATIONS; CAPITALIZATION; MERGER; EFFECTIVE TIME

ARTICLE III.

GOVERNING LAW; CERTIFICATE OF INCORPORATION; BY-LAWS

ARTICLE IV.

BOARD OF DIRECTORS AND OFFICERS OF SURVIVING CORPORATION

ARTICLE V.

MANNER OF CONVERTING SHARES; CAPITALIZATION

ARTICLE VI.

EFFECT OF THE MERGER

ARTICLE VII.

TERMINATION

ARTICLE VIII.

AGREEMENT TO SERVICE OF PROCESS IN DELAWARE

ARTICLE IX.

MISCELLANEOUS PROVISIONS

AGREEMENT AND PLAN OF MERGER

This **AGREEMENT AND PLAN OF MERGER**, dated as of May 31, 1996, between USPF, INC, an Alabama corporation (herein called "USPF-AL"), and UNITED STATES PIPE AND FOUNDRY COMPANY, a Delaware corporation (herein called "USPF-DE," and USPF-AL and USPF-DE being sometimes herein together referred to as the "Constituent Corporations"),

WITNESSETH:

WHEREAS, all of the issued and outstanding capital stock of USPF-AL is owned by USPF-DE; and

WHEREAS, the boards of directors of USPF-AL and USPF-DE, respectively, deem it advisable for the general welfare and advantage of their respective corporations and their respective shareholders and stockholders that USPF-DE merge with and into USPF-AL pursuant to this Agreement and Plan of Merger and pursuant to applicable law (such transaction being herein called the "Merger"); and

WHEREAS, the respective boards of directors of the Constituent Corporations have approved this Agreement and Plan of Merger and have directed that this Agreement and Plan of Merger be submitted to the stockholders or shareholders, as the case may be, of each of the Constituent Corporations for their approval;

NOW, THEREFORE, in consideration of the premises and the agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree with each other that USPF-DE shall be merged with and into USPF-AL as the surviving corporation in accordance with the applicable laws of the States of Alabama and Delaware and that the terms and conditions of the Merger and the mode of carrying it into effect are and shall be as follows:

ARTICLE I.

DEFINITIONS

In addition to the words and terms defined elsewhere herein, the words and terms defined in this Article I shall, for all purposes of this Agreement and Plan of Merger, have the meanings herein specified, unless the context expressly or by necessary implication otherwise requires:

1.1. "Agreement" or "this Agreement" shall mean this Agreement and Plan of Merger as the same may be supplemented or amended from time to time;

1.2. "Effective Time of the Merger" shall have the meaning specified in Section 2.4 of this Agreement;

1.3. "Merger" shall mean the merger of USPF-DE with and into USPF-AL in accordance with this Agreement and applicable law; and

1.4. "Surviving Corporation" shall mean USPF-AL and its successors and assigns, as provided in Section 2.2 of this Agreement.

ARTICLE II.

CONSTITUENT AND SURVIVING CORPORATIONS; CAPITALIZATION; MERGER; EFFECTIVE TIME

2.1. Constituent Corporations. The names of the corporations which are the constituent corporations to the Merger are USPF, Inc., an Alabama corporation, and United States Pipe and Foundry Company, a Delaware corporation.

2.2. Surviving Corporation. The surviving corporation is and will be USPF, Inc., an Alabama corporation. At the Effective Time of the Merger, the Articles of Incorporation of USPF, Inc. in effect immediately prior to the Effective Time of the Merger shall be amended to change the name of USPF, Inc. to United States Pipe and Foundry Company, Inc.

2.3. Capitalization of Constituent Corporations.

(a) USPF-AL. Immediately prior to the Effective Time of the Merger, USPF-AL shall have authorized 1,000 shares of Common Stock, par value $0.01 per share (herein called "USPF-AL Common Stock"), of which 1,000 shares shall be issued and outstanding and all of said shares shall be owned by USPF-DE. The holder of the shares of USPF-AL Common Stock is entitled to vote with respect to the Merger.

(b) **USPF-DE.** Immediately prior to the Effective Time of the Merger, USPF-DE shall have authorized 1,000 shares of Common Stock, par value $0.01 per share (herein called "USPF-DE Common Stock"), of which 1,000 shares shall be issued and outstanding and 1,000 shares shall be owned by Walter Industries, Inc., a Delaware corporation. The holder of the shares of USPF-DE Common Stock is entitled to vote with respect to the Merger.

2.4. Merger. Subject to the terms and conditions of this Agreement, in accordance with the provisions of the Alabama Business Corporation Act and the General Corporation Law of the State of Delaware, USPF-DE shall be merged with and into USPF-AL, which shall be the Surviving Corporation.

The Merger shall not become effective until, and shall become effective upon, the happening of all of the following:

(i) The filing of this Agreement, properly certified, executed and acknowledged by each of the Constituent Corporations after the adoption and approval of this Agreement by the stockholders or shareholders of each thereof, or the filing of an executed certificate of merger, with the Secretary of State of the State of Delaware (herein called the "Delaware Certificate of Merger"), who shall transmit a copy of such Agreement or certificate of merger, as the case may be, for recordation in the Office of the Recorder of Deeds of New Castle County, Delaware.

(ii) The filing of executed articles of merger (herein called the "Alabama Articles of Merger") with the Secretary of State of the State of Alabama in accordance with Sections 10-2B-11.05 and 10-2B-11.07 of the Code of Alabama of 1975, or the successor provisions thereto, as the case may be.

(iii) The arrival of 5:00 p.m., Central Daylight Time, on May 31, 1996.

The time when the Merger shall become effective is herein called the "Effective Time of the Merger."

ARTICLE III.

GOVERNING LAW; CERTIFICATE OF INCORPORATION; BY-LAWS

3.1. **Governing Law.** USPF-AL, as the Surviving Corporation, shall be governed by the laws of the State of Alabama.

3.2. **Articles of Incorporation.** (a) At the Effective Time of the Merger, Article 1 of the Articles of Incorporation of USPF-AL in effect immediately prior to the Effective Time of the Merger shall be amended to read as follows: "The name of the corporation is United States Pipe and Foundry Company, Inc."

(b) As so amended, the articles of incorporation of USPF-AL, shall be the articles of incorporation of the Surviving Corporation from and after the Effective Time of the Merger until amended or restated as therein or by law provided.

3.3. **By-laws.** The by-laws of USPF-AL as in effect immediately prior to the Effective Time of the Merger shall continue in force and be the by-laws of the Surviving Corporation after the Effective Time of the Merger until amended as therein or by law provided.

ARTICLE IV.

BOARD OF DIRECTORS AND OFFICERS OF SURVIVING CORPORATION

4.1. **Board of Directors of Surviving Corporation.** From and after the Effective Time of the Merger and until the annual meeting of shareholders of USPF-AL next following the Effective Time of the Merger, and thereafter until their successors shall have been duly elected and qualify, the members of the Board of Directors of the Surviving Corporation shall be the members of the Board of Directors of USPF-AL immediately prior to the Effective Time of the Merger.

4.2. **Officers of Surviving Corporation.** From and after the Effective Time of the Merger and until their successors shall have been duly elected and qualify or until their earlier resignation or removal, the officers of the Surviving Corporation shall be the officers of USPF-AL immediately prior to the Effective Time of the Merger.

ARTICLE V.

MANNER OF CONVERTING SHARES; CAPITALIZATION

5.1. **Stock of USPF-DE**. At the Effective Time of the Merger, each share of USPF-DE Common Stock issued immediately prior to the merger, including, without limitation, each share of USPF-DE Common Stock held as treasury stock, shall be automatically converted into and become, without further action by the holder thereof, one share of USPF-AL Common Stock. As of and after the Effective Time of the Merger, each outstanding certificate which prior to the Effective Time of the Merger represented shares of USPF-DE Common Stock shall be deemed for all purposes to evidence ownership of, and to represent an equal number of, shares of USPF-AL Common Stock.

5.2. **Stock of USPF-AL**. Upon the Effective Time of the Merger, by virtue of the merger and without any action on the part of the holder thereof, each share of USPF-AL Common Stock outstanding immediately prior thereto shall be canceled and returned to the status of authorized but unissued shares.

ARTICLE VI.

EFFECT OF THE MERGER

6.1. **Rights, Privileges, etc.** At the Effective Time, the Surviving Corporation, without further act, deed or other transfer, shall retain or succeed to, as the case may be, and possess and be vested with, all rights, privileges, immunities, powers, franchises and authority, of a public as well as of a private nature of the Constituent Corporations; all property of every description and every interest therein and all debts and other obligations of or belonging to or due to the Constituent Corporations on whatever account shall thereafter be taken and deemed to be held by or transferred to, as the case may be, or vested in the Surviving Corporation without further act or deed; title to any real estate, or any interest therein, vested in the Constituent Corporations shall not revert or in any way be impaired by reason of the Merger; and all of the rights of creditors of the Constituent Corporations shall be preserved unimpaired, and all liens upon the property of the Constituent Corporations shall be preserved unimpaired, and such debts, liabilities, obligations and duties of the Constituent Corporations shall thenceforth, remain with or attach to, as the case may be, the Surviving Corporation and may be enforced against it to the same extent as if all such debts, liabilities, obligations and duties had been incurred or contracted by it.

6.2. **Employee Benefit Plans**. At the Effective Time of the Merger, the Surviving Corporation will automatically assume all obligations of USPF-DE under any and all

employee benefit plans in effect as of the Effective Time of the Merger or with respect to which employee rights or accrued benefits are outstanding as of the Effective Time of the Merger.

6.3. **Options, Warrants and Rights**. Each outstanding option, warrant or right to acquire shares of USPF-DE Common Stock which are not exercised prior to the Effective Time shall, at the Effective Time, be converted into the right to receive the same number of shares of Common Stock of the Surviving Corporation subject to the terms, conditions and provisions for adjustment to which such options, warrants or rights were previously subject.

6.4. **Survival of USPF-AL**. At the Effective Time of the Merger, the separate corporate existence of USPF-DE shall cease, except insofar as it may be continued by statute, and it shall be merged with and into USPF-AL, the Surviving Corporation, with the effects set forth in the Alabama Business Corporation Act and the General Corporation Law of the State of Delaware.

6.5. **Further Action**. USPF-DE shall, to the extent permitted by law, from time to time, as and when requested by the Surviving Corporation or by its successors or assigns, execute and deliver, or cause to be executed and delivered, all such deeds and instruments and take, or cause to be taken, such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of any property of said corporation acquired or to be acquired by reason or as a result of the Merger and otherwise to carry out the intent and purposes of this Agreement, and the proper officers and directors of USPF-DE and of the Surviving Corporation are hereby authorized, in the name of USPF-DE or USPF-AL or otherwise, to take any and all such action.

ARTICLE VII.

TERMINATION

This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time of the Merger, whether before or after approval of this Agreement by the shareholders or stockholders, as the case may be, of any of the Constituent Corporations, by resolution of the board of directors of any of the Constituent Corporations, if any circumstances develop which in the opinion of such board of directors make proceeding with the Merger inadvisable. In the event of such termination and abandonment, this Agreement shall become void and have no effect, without any liability on the part of any of the Constituent Corporations or their stockholders or shareholders, directors, or officers with respect thereto.

ARTICLE VIII.

AGREEMENT TO SERVICE OF PROCESS IN DELAWARE

The Surviving Corporation agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of USPF-DE and in any proceeding for enforcement of the rights of a dissenting stockholder of USPF-DE against the Surviving Corporation, and hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in such proceeding. The Surviving Corporation hereby agrees that it will promptly pay to the dissenting stockholders of USPF-DE the amount, if any, to which they may be entitled under the provisions of Section 262 of the General Corporation Law of Delaware or any successor chapter thereto, as the case may be, with respect to the rights of dissenting stockholders. Such agreement shall be contained in the Delaware Certificate of Merger.

ARTICLE IX.

MISCELLANEOUS PROVISIONS

9.1. **Amendment and Modification; Waiver; Etc.** The parties hereto, by mutual agreement in writing approved by their respective boards of directors, or their respective officers authorized by their respective board of directors, may amend, modify and supplement this Agreement in any respect.

9.2. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama, except to the extent the corporate laws of the State of Delaware shall apply to USPF-DE.

9.3. **Successors and Assigns.** This Agreement and all of the provisions hereof shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

9.4. **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.5. **Headings.** The headings of the Sections and Articles of this Agreement are inserted for convenience only and shall not constitute a part hereof.

9.6. Entire Agreement. This Agreement, including the other documents referred to herein which form a part hereof, contains the entire understanding of the parties hereto with respect to the subject matter contained herein. There are no restrictions, promises, warranties, covenants, or undertakings, other than those expressly set forth herein. This Agreement supersedes all prior agreements and understandings, whether oral or written, between the parties with respect to such subject matter.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be affixed hereto on the date first above written.

USPF, INC.,
an Alabama corporation

By: _____
W. N. Temple
Its: President and Chief Operating Officer

[CORPORATE SEAL]

ATTEST:

By: _____
Joseph W. Spransy
Its: Assistant Secretary

UNITED STATES PIPE AND FOUNDRY COMPANY,
a Delaware corporation

By: _____
W. N. Temple
Its: President and Chief Operating Officer

[CORPORATE SEAL]

ATTEST:

By: _____
Joseph W. Spransy
Its: Assistant Secretary

CERTIFICATE OF THE SECRETARY OF
USPF, INC.

Book and Page: GI 6923 520

I, Joseph W. Spransy, as Assistant Secretary of USPF, Inc., an Alabama corporation, do hereby certify under the seal of said corporation that the foregoing Agreement and Plan of Merger of USPF, Inc., an Alabama corporation, and United States Pipe and Foundry Company, a Delaware corporation, was approved and adopted by the written consent of the sole shareholder of USPF, Inc., an Alabama corporation, following its adoption by unanimous written consent of the board of directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand under the seal of said corporation in my capacity as aforesaid, and have caused this certificate to be dated as of the 31st day of May, 1996.

[CORPORATE SEAL]

Joseph W. Spransy
As Assistant Secretary of
USPF, Inc.,
an Alabama corporation

CERTIFICATE OF THE SECRETARY OF 6923 521
UNITED STATES PIPE AND FOUNDRY COMPANY

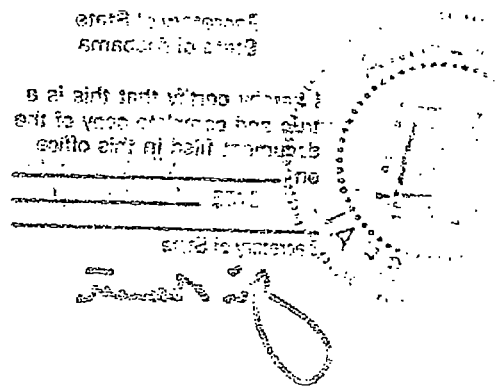
I, Joseph W. Spransy, as Assistant Secretary of United States Pipe and Foundry Company, a Delaware corporation, do hereby certify under the seal of said corporation that the foregoing Agreement and Plan of Merger of USPF, Inc., an Alabama corporation, and United States Pipe and Foundry Company, a Delaware corporation, was approved and adopted by the written consent of the sole stockholder of United States Pipe and Foundry Company, a Delaware corporation, following its adoption by unanimous written consent of the board of directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand under the seal of said corporation in my capacity as aforesaid, and have caused this certificate to be dated as of the 31st day of May, 1996.

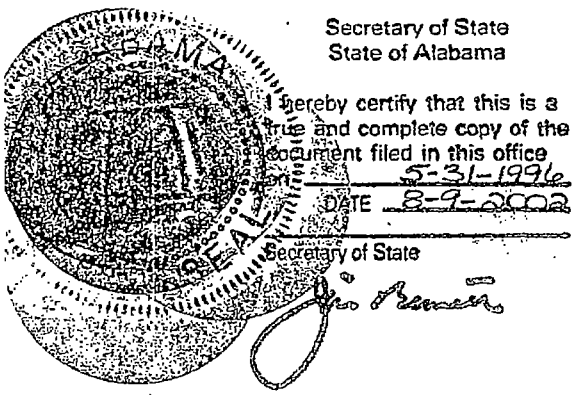
[CORPORATE SEAL]

Book and Pages 01 6923 525

Joseph W. Spransy
As Assistant Secretary of
United States Pipe and Foundry Company,
a Delaware corporation



Book and Page: GI 6923 522



Rotten Mile
PEA 9810-2

Book and Pages: GI 6923 523

STATE OF ALABAMA

I, Jim Bennett, Secretary of State of the State of Alabama, having custody of the Great and Principal Seal of said State, do hereby certify that

the domestic corporation records on file in this office disclose that United States Pipe and Foundry Company, Inc. incorporated in Jefferson County, Birmingham, Alabama on May 16, 1996. I further certify that the records do not disclose that said United States Pipe and Foundry Company, Inc. has been dissolved.

In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State, at the Capitol, in the City of Montgomery, on this day.

July 26, 2002

Date

Jim Bennett **Secretary of State**

MWPS010091

STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
FILING CERTIFICATION (CERTIFIED COPY)

UNITED STATES PIPE AND FOUNDRY COMPANY, INC.

I, the Treasurer of the State of New Jersey, do hereby certify, that the above named business did file and record in this department the below listed document(s) and that the foregoing is a true copy of the
Certificate Of Merger
as the same is taken from and compared with the original(s) filed in this office on the date set forth on each instrument and now remaining on file and of record in my office.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal at Trenton, this 14th day of August, 2002

John E McCormac, CPA
State Treasurer

Instrument: 2003110600373
Book and Page: GI 6923 503
Charter Fee $5.00
Data Processing F $2.00
Total Fees: $7.00
User: KSPRUIELL
Date: 06-NOV-2003
Time: 03:58:04 P
Contact: Pam Hurst, Register

MGF, NCF

FILED

JUL 12 1996

LONNA R. HOOKS
Secretary of State

1105367

1105375

STATEMENT OF ADDRESS

FOR RECEIPT OF SERVICE OF PROCESS against

USPF, INC. changing name in merger to: United States Pipe and Foundry Company, Inc.

To: The Secretary of State

State of New Jersey

Pursuant to the provisions of Section 14A:10-7, Corporations, General, of the New Jersey Statutes, the undersigned corporation hereby designates the following post office address, including zip code, to which the Secretary of State may mail a copy of any process against the undersigned corporation that may be served on him.

3300 First Avenue North, Birmingham, AL 35222

Dated this day of July, 1996.

United States Pipe and Foundry Company, Inc.
Name of Corporation

By
Signature*

E.J. Mize, Jr., Vice President
Print or Type Name and Title

Book and Page: GI 6923 504

*Must be executed by the President, Vice-President or Chairman of the Board.

(N.J. - 2048 - 9/20/85)

0100666536

TOTAL P.02

MWPS010093

Delaware

The First State

PIT-99109—
RETURN PAID

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AGREEMENT OF MERGER, WHICH MERGES:

"UNITED STATES PIPE AND FOUNDRY COMPANY", A NEW JERSEY CORPORATION,

WITH AND INTO "NEW PIPE CORPORATION" UNDER THE NAME OF "UNITED STATES PIPE AND FOUNDRY COMPANY", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE TWENTY-NINTH DAY OF AUGUST, A.D. 1969, AT 10:45 O'CLOCK A.M.

55363, 55364 103

Instrument: 2003110600372
Book and Page: GI 6923 490
Charter Fee $9.00
Data Processing F $2.00
Total Fees: $11.00
User: KSPRUIELL
Date: 06-NOV-2003
Time: 03:58:04 P
Contact: Pam Hurst, Register
Hamilton County Tennessee

Harriet Smith Windsor
Harriet Smith Windsor, Secretary of State

0693126 8100M

020560158

AUTHENTICATION: 1971058

DATE: 09-06-02

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (hereinafter called "Agreement of Merger"), dated as of January 31, 1969, between NEW PIPE CORPORATION, a Delaware corporation (hereinafter called "New Pipe"), and a majority of the Directors thereof, and UNITED STATES PIPE AND FOUNDRY COMPANY, a New Jersey corporation (hereinafter called "U. S. Pipe"), and a majority of the Directors thereof (New Pipe and U. S. Pipe being hereinafter collectively called the "Constituent Corporations"),

WITNESSETH:

WHEREAS, New Pipe is a corporation organized and existing under the laws of the State of Delaware, having been incorporated on November 20, 1968, and U. S. Pipe is a corporation organized and existing under the laws of the State of New Jersey, having been incorporated on March 2, 1899; and

WHEREAS, the authorized capital stock of New Pipe consists of 1000 shares of stock, par value $1 per share, all of which on the date hereof have been validly issued and are outstanding, fully paid and non-assessable and held by Jim Walter Corporation, a Florida corporation (hereinafter called "Walter"); and

WHEREAS, the authorized capital stock of U. S. Pipe consists of 8,000,000 shares of Common Stock, par value $5 per share (hereinafter called "U. S. Pipe Common Stock"), of which on the date hereof 3,700,919 shares have been validly issued and are outstanding, fully paid and non-assessable; and

WHEREAS, at the Effective Date of the merger, as such term is defined in Section 8, provided for in this Agreement of Merger, New Pipe will hold the number of validly issued, fully paid and non-assessable shares of Walter's $1.60 Cumulative Convertible Voting Fourth Preferred Stock (hereinafter called "New Preferred Stock") equal to 3,700,919 less the number of shares of U. S. Pipe Common Stock held by New Pipe on the Effective Date; and

WHEREAS, at the Effective Date of the merger provided for in this Agreement of Merger the name of New Pipe will be changed to "United States Pipe and Foundry Company"; and

WHEREAS, the Board of Directors of each of the Constituent Corporations has duly approved and declared this Agreement of Merger advisable and in the best interests of such corporation and its stockholders; and

WHEREAS, the parties hereto deem it desirable that U. S. Pipe and New Pipe be combined by merging U. S. Pipe into New Pipe under and pursuant to the General Corporation Law of the State of Delaware and the New Jersey Business Corporation Act, which became effective on January 1, 1969, upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions herein contained and for the purpose of prescribing the terms and conditions of such merger, the name of the surviving corporation, the number and names of the first directors and officers of the surviving corporation, the mode of carrying such merger into effect, the manner of converting the issued and outstanding shares of U. S. Pipe Common Stock into shares of New Preferred Stock and such other terms, details and provisions as are deemed necessary or proper in connection with such merger, the parties hereto covenant and agree as follows:

SECTION 1. *Merger.* Subject to the approval and adoption of this Agreement of Merger and the merger provided for herein by a vote or the written consent of the holders of the required percentages of the issued and outstanding shares of capital stock of each of the Constituent Corporations and subject to the conditions hereinafter set forth, U. S. Pipe shall be and hereby is merged into and with New Pipe, which shall continue in existence as the surviving corporation, and thereupon the separate existence of U. S. Pipe shall cease, except insofar as its existence shall be continued by operation of Section 7 or under New Jersey law.

SECTION 2. *Certificate of Incorporation.* The Certificate of Incorporation of New Pipe, as in effect at the Effective Date of the merger, amended as provided below, shall be the Certificate of Incorporation of New Pipe as the surviving corporation, until it shall have been further amended as provided therein or by law. On the Effective Date of the merger, Article FIRST of the Certificate of Incorporation, as then in effect, of New Pipe is hereby amended to read as follows:

"FIRST: The name of the Corporation is United States Pipe and Foundry Company."

SECTION 3. *By-Laws.* Until amended or repealed as therein provided, the By-Laws of New Pipe in effect at the Effective Date of the merger shall be the By-Laws of New Pipe as the surviving corporation.

SECTION 4. *Board of Directors and Officers.* (A) At the Effective Date of the merger the Board of Directors of New Pipe shall consist of ten members. The names of the persons who shall be the first members of the Board of Directors of New Pipe as the surviving corporation are R. Hugh Daniel, Robert E. Garrett, Ben S. Gilmer, Kenneth J. Hanau, Jr., Joseph H. King, Hubert F. O'Brien, J. Craig Smith, W. L. Turner, Joe B. Cordell and James W. Walter. Such directors shall hold office until the next annual meeting of stockholders of New Pipe and until their respective successors are elected and qualified unless sooner removed or otherwise replaced, all in accordance with the Certificate of Incorporation and By-Laws of New Pipe.

(B) At the Effective Date of the merger, and until their respective successors are duly appointed in accordance with the By-Laws of New Pipe, the persons whose names and offices are set forth below shall be the officers of New Pipe as the surviving corporation, each holding the office set after his name (provided, however, that the Board of Directors of New Pipe or such officers, as the case may be, shall have the right to appoint additional officers in accordance with the By-Laws of New Pipe): Robert E. Garrett, President; B. F. Harrison, Vice President; Joseph H. King, Vice President-Operations; Hubert F. O'Brien, Vice President; W. L. Turner, Vice President-Marketing; R. N. Voigt, Vice President; D. E. Watkins, Vice President; E. C. McGarity, Jr., Treasurer; and D. L. Saltsman, Jr., Secretary.

SECTION 5. *New Pipe Capital Stock, New Preferred Stock and U. S. Pipe Common Stock.* (A) At the Effective Date of the merger Walter shall hold all of the issued and outstanding capital stock of New Pipe.

(B) Each share of U. S. Pipe Common Stock issued and outstanding at the Effective Date of the merger, except for shares of U. S. Pipe Common Stock held by New Pipe, shall be converted as of such date into one share of New Preferred Stock and each holder of a certificate or certificates theretofore representing issued and outstanding shares of U. S. Pipe Common Stock shall, upon surrender of the same to New Pipe, be entitled to receive from New Pipe in exchange therefor certificates representing the number of shares of New Preferred Stock into which such U. S. Pipe Common Stock shall have been so converted; provided, however, that from and after the Effective Date of the merger and until such surrender and exchange, each certificate theretofore representing shares of U. S. Pipe Common Stock issued and outstanding on the Effective Date shall be deemed to represent the number of shares of New Preferred Stock into which such shares of U. S. Pipe Common Stock shall have been so converted, and New Pipe agrees that certificates representing such number of shares of New Preferred Stock, and the dividends or other distributions paid with respect thereto, shall be held in trust until such surrender and exchange. Unless and until any such certificate representing shares of U. S. Pipe Common Stock shall be so surrendered, the holder thereof shall not be entitled to receive any dividend or other distribution payable to holders of New Preferred Stock, but upon each such surrender there shall be paid by New Pipe to the person entitled thereto the amount of dividends or other distributions (without interest) which theretofore were paid by Walter with respect to the number of shares of New Preferred Stock represented by the certificate issued upon such surrender and exchange.

(C) Each share of U. S. Pipe Common Stock issued and outstanding and held by New Pipe at the Effective Date shall be cancelled and no security of New Pipe or other consideration shall be issued or exchanged therefor at the Effective Date or thereafter.

SECTION 6. *Certain Effects of Merger.* At the Effective Date of the merger the separate existence of U. S. Pipe shall cease and New Pipe shall possess all the rights, privileges, power and franchises as well of a public as of a private nature of U. S. Pipe, subject to all its restrictions, disabilities and duties, and all and singular, the rights, privileges, powers and franchises of U. S. Pipe, and all property, real, personal and mixed, and all debts due to U. S. Pipe on whatever account, and all other things in action of or belonging to U. S. Pipe, shall be vested in New Pipe; and all property, rights, privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of New Pipe as they were of U. S. Pipe, and the title to any real estate vested by deed or otherwise in U. S. Pipe shall not revert or be in any way impaired by reason of the merger herein provided for, provided that all rights of creditors and all liens upon property of U. S. Pipe shall be preserved unimpaired, and all debts, liabilities and duties of U. S. Pipe shall upon the Effective Date of the merger attach to New Pipe, and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it.

SECTION 7. *Supplementary Action.* If at any time after the Effective Date of the merger New Pipe shall consider or be advised that any further conveyances, agreements, documents, instruments and assurances in law or any other things are necessary or desirable to vest, perfect, confirm or record in New Pipe the title to any property, rights, privileges, powers and franchises of U. S. Pipe, or otherwise to carry out the provisions of this Agreement, the proper directors and officers of U. S. Pipe last in office shall execute and deliver, upon New Pipe's request, any and all proper conveyances, agreements, documents, instruments and assurances in law, and do all things necessary or proper to vest, perfect or confirm title to such property, rights, privileges, powers and franchises in New Pipe, and otherwise to carry out the provisions of this Agreement of Merger.

SECTION 8. *Effective Date of Merger.* The Constituent Corporations shall cause a counterpart of this Agreement of Merger to be filed in the office of the Secretary of State of the State of Delaware and to be recorded as required by the General Corporation Law of the State of Delaware and shall cause a certificate of merger with respect hereto to be filed in the office of the Secretary of State of the State of New Jersey as required by the New Jersey Business Corporation Act. The merger provided for in this Agreement of Merger shall become effective at the beginning of the day (herein called the "Effective Date" of the merger) next following the day that the later of such filing with the Secretary of State of Delaware and such filing with the Secretary of State of New Jersey shall have been completed.

SECTION 9. *Covenants.* From and after the date hereof and until the Effective Date of the merger, neither New Pipe nor U. S. Pipe shall issue or sell, or issue rights, warrants or options to subscribe to, any shares of any capital stock or New Preferred Stock.

SECTION 10. *Approval and Filings.* After adoption of a resolution by the Board of Directors of each of the Constituent Corporations approving this Agreement of Merger, this Agreement of Merger shall be submitted to Walter, as sole stockholder of New Pipe, for its consent, approval and adoption, pursuant to the General Corporation Law of the State of Delaware, and to a vote of the stockholders of U. S. Pipe for their approval and adoption at a meeting thereof held upon notice in accordance with law. If the merger shall be so consented to, approved and adopted by Walter, as sole stockholder of New Pipe, and so approved and adopted by the affirmative vote of not less than two-thirds of the votes cast at such meeting by the holders of the outstanding shares of U. S. Pipe, the officers of the Constituent Corporations, subject to the provisions of Section 11 hereof, shall take all steps necessary in order to make effective the merger of U. S. Pipe into New Pipe provided for in this Agreement of Merger.

SECTION 11. *Termination.* At any time prior to the Effective Date of the merger this Agreement of Merger may be terminated by either of the parties hereto by written notice to the other party in the event the Agreement and Plan of Reorganization among New Pipe, U. S. Pipe and Walter is terminated pursuant to and in accordance with the terms of said Agreement and Plan of Reorganization and thereupon this Agreement of Merger shall become void and of no effect.

SECTION 12. *Amendment.* U. S. Pipe and New Pipe may, by mutual written agreement, approved by their respective Boards of Directors, amend this Agreement of Merger from time to time prior to the Effective Date of the merger to the extent permitted by law.

SECTION 13. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the Constituent Corporations has caused this Agreement to be signed by a majority of the members of its Board of Directors and its corporate seal to be hereunto affixed and attested as of the date first above written.

.....

.....

.....

A majority of the Directors of New Pipe Corporation.

(CORPORATE SEAL)

ATTEST:

.....
Secretary

A majority of the Directors of United States Pipe and Foundry Company.

(CORPORATE SEAL)

ATTEST:

Secretary

IN WITNESS WHEREOF, the foregoing Agreement of Merger, duly adopted by each of the Constituent Corporations named therein, has been duly executed by each of said Constituent Corporations as of the date first above written.

NEW PIPE CORPORATION

(CORPORATE SEAL)

By
President

ATTEST:

Secretary

UNITED STATES PIPE AND FOUNDRY COMPANY

(CORPORATE SEAL)

By
President

ATTEST:

Secretary

STATE OF Florida }
COUNTY Hillsborough } ss.:

BE IT REMEMBERED that on this 24th day of January 1969, personally came before me J. W. Walter, President of New Pipe Corporation, a Delaware corporation and one of the Constituent Corporations named in and which executed the foregoing Agreement and Plan of Merger, known to me personally to be such, and acknowledged the said Agreement and Plan of Merger to be his own act and deed, and the act, deed and agreement of said corporation; that the signatures of said President and of the Secretary of said corporation are in the proper handwriting of said President and Secretary; and that the seal affixed to said Agreement and Plan of Merger is the common or corporate seal of said corporation.

GIVEN under my hand and seal of office the day and year aforesaid.

(NOTARIAL SEAL)

Notary Public

STATE OF Florida }
COUNTY Hillsborough } ss.:

BE IT REMEMBERED that on this 24th day of January 1969, personally came before me R. E. Garrett, President of United States Pipe and Foundry Company, a New Jersey corporation and one of the Constituent Corporations named in and which executed the foregoing Agreement and Plan of Merger, known to me personally to be such, and acknowledged the said Agreement and Plan of Merger to be his own act and deed, and the act, deed and agreement of said corporation; that the signatures of said President and of the Secretary of said corporation are in the proper handwriting of said President and Secretary; and that the seal affixed to said Agreement and Plan of Merger is the common or corporate seal of said corporation.

GIVEN under my hand and seal of office the day and year aforesaid.

(NOTARIAL SEAL)

Notary Public

IN WITNESS WHEREOF, the parties to this agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective boards of directors have caused these presents to be executed by the President and attested by the Secretary of United States Pipe and Foundry Company with the corporate seal affixed, and by the Vice President and attested by the Secretary of New Pipe Corporation with the corporate seal affixed.

NEW PIPE CORPORATION

[Corporate Seal]

By _____ Vice President

ATTEST:

By _____ Secretary

UNITED STATES PIPE AND FOUNDRY COMPANY

[Corporate Seal]

By _____ President

ATTEST:

By _____ Secretary

Book and Page: GI 6923 498

CERTIFICATE OF SECRETARY
OF NEW PIPE CORPORATION

The undersigned, A. F. Saraw, Secretary of New Pipe Corporation, a Delaware corporation, the surviving corporation mentioned in the within Agreement and Plan of Merger, on behalf of said corporation, certifies as follows:

The within Agreement and Plan of Merger has been consented to in writing by the sole stockholder of New Pipe Corporation.

IN WITNESS WHEREOF, the undersigned hereby certifies to the foregoing under the corporate seal of New Pipe Corporation.

[Seal]

A. F. Saraw, Secretary of
New Pipe Corporation

CERTIFICATE OF SECRETARY
OF UNITED STATES PIPE AND FOUNDRY COMPANY

The undersigned, Dan L. Saltsman, Jr., Secretary of United States Pipe and Foundry Company, a New Jersey corporation, one of the corporations mentioned in the within Agreement and Plan of Merger, on behalf of said corporation certifies as follows:

The within Agreement and Plan of Merger has been submitted to the stockholders of United States Pipe and Foundry Company at a meeting thereof duly called and held, in accordance with the provisions of the General Corporation Law of New Jersey on the 5th day of June, 1969, and at said meeting at which a quorum was present and acting throughout said Agreement and Plan of Merger was considered and a vote by ballot in person or by proxy taken for the adoption or rejection of said Agreement

and Plan of Merger and of the 3,700,919 shares of the issued and outstanding stock of said corporation each entitled to one vote at said meeting, 3,061,060 shares were voted for the adoption of said Agreement and Plan of Merger and 82,783 shares were voted for its rejection and inasmuch as over two-thirds of the votes cast were for its adoption, said Agreement and Plan of Merger was thereby duly adopted by the stockholders of United States Pipe and Foundry Company pursuant to the General Corporation Law of New Jersey.

IN WITNESS WHEREOF, the undersigned hereby certifies to the foregoing under the corporate seal of United States Pipe and Foundry Company.

[Seal]

Dan L. Saltsman, Jr., Secretary of
United States Pipe and Foundry Company

EXECUTION

The foregoing Agreement and Plan of Merger, having been duly entered into and signed by New Pipe Corporation, a Delaware corporation, and having been duly entered into and signed by United States Pipe and Foundry Company, a New Jersey corporation, and having been duly adopted by the stockholders of each of such corporations, all in accordance with the provisions of the General Corporation Law of the State of Delaware and the provisions of the General Corporation Law of New Jersey, respectively, the Vice President of New Pipe Corporation and the President of United States Pipe and Foundry Company do now hereby execute

said Agreement and Plan of Merger under the corporate seals of their respective corporations by authority of the directors and stockholders of each, as the respective act, deed and agreement of each of said corporations, on this 28th day of August, 1969.

NEW PIPE CORPORATION

(Corporate Seal)

ATTEST:

Vice President

Secretary

UNITED STATES PIPE AND FOUNDRY COMPANY

(Corporate Seal)

By

President

ATTEST:

Secretary

STATE OF NEW JERSEY)
) SS.:
COUNTY OF ESSEX)

BE IT REMEMBERED that on this 28th day of August, 1969, personally came before me, a Notary Public in and for the County and State aforesaid, J. B. CORDELL, Vice President of New Pipe Corporation, a corporation of the State of Delaware, and he duly executed said agreement of merger before me and acknowledged the said agreement of merger to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said agreement of merger and attested by the Secretary of said corporation is the common or

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corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Florence C. Kurzman
Notary Public

FLORENCE C. KURZMAN
A Notary Public of New Jersey
My Commission Expires Sept. 12, 1972

STATE OF NEW JERSEY)
) ss.:
COUNTY OF ESSEX)

BE IT REMEMBERED that on this 29th day of August, 1969, personally came before me, a Notary Public in and for the County and State aforesaid, E. E. GARRETT, President of United States Pipe and Foundry Company, a corporation of the State of New Jersey, and he duly executed said agreement of merger before me and acknowledged the said agreement of merger to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said agreement of merger and attested by the Secretary of said corporation is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(Seal)

Florence C. Kurzman
Notary Public

FLORENCE C. KURZMAN
A Notary Public of New Jersey
My Commission Expires Sept. 12, 1972

Book and Page: GI 6923 502

Certificate of Agreement of Merger of the "UNITED STATES PIPE AND FOUNDRY COMPANY",
a corporation organized and existing under the laws of the State of New Jersey,
merging with and into the "NEW PIPE CORPORATION",
a corporation organized and existing under the laws of the State of Delaware,
under the name of "UNITED STATES PIPE AND FOUNDRY COMPANY",
was received and filed in this office the 29th day of August,
A.D. 1969, at 10:45 o'clock A. M.;

And I do hereby further certify that the aforesaid Corporation shall
be governed by the Laws of the State of Delaware.

Mail Env
Mrs Celeste Gordon
Bradley, Arant, Rose & White
1400 Park Place Tower
Birmingham, Alabama 35203

BOOK 3799 PAGE 286
PAGE 1

State of Delaware

Office of Secretary of State

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF U.S. PIPE HOLDINGS CORPORATION FILED IN THIS OFFICE ON THE EIGHTEENTH DAY OF MAY, A.D. 1988, AT 10:01 O'CLOCK A.M.

Michael Harkins, Secretary of State

AUTHENTICATION: 1774244

DATE: 07/05/1988

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BOOK 3799 PAGE 287

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CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

U.S. PIPE HOLDINGS CORPORATION

* * * * *

Pursuant to Section 242 of the General Corporation Law of the State of Delaware

* * * * *

U.S Pipe Holdings Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), DOES HEREBY CERTIFY that:

FIRST: Article 1 of the Certificate of Incorporation of the Corporation be, and it hereby is, amended to read as follows:

"1. The name of the Corporation is United States Pipe and Foundry Company."

SECOND: The amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, U.S. Pipe Holdings Corporation has caused this Certificate to be signed by E.J. Mize, Jr. its Vice President-Finance and Treasurer, and attested by Joseph W. Spransy, its Assistant Secretary this 17th day of May, 1988.

U.S. PIPE HOLDINGS CORPORATION

BY _____
E.J. Mize, Jr.
Vice President-
Finance and Treasurer

ATTEST:

_____
Joseph W. Spransy
Assistant Secretary

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IDENTIFICATION REFERENCE 12/12/90 MISC 5.00 ++5.00 9

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SARAH P. DE FRIESE
REGISTER
HAMILTON COUNTY
STATE OF TENNESSEE

BOOK 4681 PAGE 272

PAGE 1

State of Delaware

Office of the Secretary of State

CK - 30226 $1.00 Cash File - PTAI

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "U.S. PIPE HOLDINGS CORPORATION", CHANGING ITS NAME FROM "U.S. PIPE HOLDINGS CORPORATION" TO "UNITED STATES PIPE AND FOUNDRY COMPANY", FILED IN THIS OFFICE ON THE EIGHTEENTH DAY OF MAY, A.D. 1988, AT 10:01 O'CLOCK A.M.

Edward J. Freel, Secretary of State

AUTHENTICATION: 7934539

DATE: 05-06-96

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BOOK 4681 PAGE 273

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CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

U.S. PIPE HOLDINGS CORPORATION

* * * * *

Pursuant to Section 242 of the General Corporation Law of the State of Delaware

* * * * *

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U.S. PIPE HOLDINGS CORPORATION

BY _____
E.J. Mize, Jr.
Vice President-
Finance and Treasurer

ATTEST:

_____
Joseph W. Spransy
Assistant Secretary

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PAMELA ... JT
REGISTER
HAMILTON ... NTY
STATE OF TE... SSEE

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BY: _____ D.C.
DEPUTY

ECPT. # 84256

EX-2.3 2 exhibit23.htm EXHIBIT 2.3

Execution Version

PURCHASE AGREEMENT

BY AND AMONG

MUELLER WATER PRODUCTS, INC.
As Parent,

MUELLER GROUP, LLC
As Seller,

and

USP HOLDINGS INC.
As the Purchaser,

DATED AS OF MARCH 7, 2012

TABLE OF CONTENTS

MWPS010116

Annexes, Exhibits, and Schedules

Annexes

Annex A - Permitted Fees
Annex B - UCC Financing Statements
Annex C - Related Party Agreements
Annex D - Retained Liabilities

Exhibits

Exhibit A - Definitions
Exhibit B - Form of Transition and Shared Services Agreement
Exhibit C - Form of Patent License Agreement
Exhibit D - Form of Assignment and Assumption Agreement
Exhibit E-1 - Form of Trademark Assignment Agreement
Exhibit E-2 - Form of Trademark Cooperation Agreement
Exhibit F - Form of Guaranty
Exhibit G - Form of Employee Leasing Agreement

Schedules -- Seller Disclosure Schedule

Section 3.4 - Conflicts
Section 3.5 - Consents
Section 3.6 - Title to Assets and Properties; Absence of Encumbrances
Section 3.7 - Financial Statements and Schedules
Section 3.8 - Ordinary Course
Section 3.9 - Litigation
Section 3.10 - Intellectual Property
Section 3.11 - Environmental Matters
Section 3.12 - Taxes
Section 3.13 - Employee Benefit Plans
Section 3.14 - Employee Matters
Section 3.15 - Insurance
Section 3.16 - Brokers' and Finders' Fees; Third Party Expenses
Section 3.17 - Contracts
Section 3.18 - No Breach of Material Contract
Section 3.19 - Affiliate Transactions
Section 3.20 - Compliance with Laws; Licenses
Section 3.21 - Accounts Receivable
Section 3.22 - Inventory
Section 3.23 - Product Warranty/Liabilities
Section 3.24 - Customers and Suppliers
Section 5.1 - Restructuring
Section 5.6 - Employees and Company Plans
Section 5.11 - Support Arrangements
Section 5.16 - Non-Competition
Section 5.17 - Bank Accounts

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT, dated as of March 7, 2012 (the "Agreement"), is made and entered into by and among (i) USP Holdings Inc., a Delaware corporation ("Purchaser"), (ii) Mueller Group, LLC, a Delaware limited liability company ("Seller"), and (iii) Mueller Water Products, Inc., a Delaware corporation ("Parent"). Purchaser, Seller and Parent are sometimes individually referred to herein as a "Party" or collectively as the "Parties."

W I T N E S S E T H:

WHEREAS, Seller is the beneficial and record owner of (i) one thousand (1,000) membership interests in United States Pipe and Foundry Company, LLC, an Alabama limited liability company ("U.S. Pipe"), representing all of the outstanding membership interests in U.S. Pipe (the "U.S. Pipe Units"), and (ii) one (1) membership interest in Fast Fabricators, LLC, a Delaware limited liability company ("Fast Fabricators" and, together with U.S. Pipe, each a "Company" and together, the "Companies"), representing all of the outstanding membership interests in Fast Fabricators (the "Fabricator Units" and, together with the U.S. Pipe Units, the "Company Units");

WHEREAS, Seller desires to sell, transfer and deliver to Purchaser, and Purchaser desires to purchase, acquire and assume, from Seller, all of Seller's right, title and interest in the Company Units, free and clear of all Encumbrances;

WHEREAS, Seller desires to effect the Restructuring, as more fully described herein, to the extent practicable, prior to the Closing, which Restructuring shall be on terms and conditions reasonably acceptable to Purchaser; and

WHEREAS, the Parties desire to make certain representations, warranties, covenants and agreements in connection with, and establish various conditions precedent to, the consummation of the transactions contemplated by this Agreement, all as more fully set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, agreements and conditions hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. Capitalized terms used in this Agreement shall have the meanings specified in Exhibit A or elsewhere in this Agreement.

ARTICLE II
SALE AND PURCHASE OF EQUITY

2.1 Sale and Purchase of Company Units. Subject to the terms and conditions herein set forth, at the Closing, Seller will sell, assign, convey, transfer and deliver to Purchaser, free and clear of any Encumbrances, and Purchaser will purchase and accept from Seller, all of the issued and outstanding Company Units (the "Sale").

2.2 Closing. The closing of the Sale (the "Closing") shall be held at the offices of Bryan Cave LLP, 1201 West Peachtree Street, Atlanta, Georgia, 30309 at a time and date to be specified by the Parties, which shall be no later than the Third Business Day after the satisfaction or waiver of the conditions set forth in Article VI (other than conditions which by their nature may only be satisfied at the Closing), or at such other time and location as the Parties shall otherwise agree (the date on which the Closing takes place is herein referred to as the "Closing Date"). The Closing shall be deemed to occur at 12:01 a.m. Atlanta, Georgia time on the Closing Date.

2.3 Purchase Price; Payment Instructions.

(a) For purposes of this Agreement, the term "Purchase Price" means the amount equal to Eighty Nine Million Eight Hundred Thousand Dollars ($89,800,000), as adjusted as provided herein.

(b) On the Closing Date, Purchaser shall deliver to Seller an amount equal to (i) Eighty Nine Million Eight Hundred Thousand Dollars ($89,800,000), plus (ii) the amount, if any, by which the Estimated Net Working Capital is greater than the Net Working Capital Target, minus (iii) the amount, if any, by which the Estimated Net Working Capital is less than the Net Working Capital Target, minus (iv) the amount, if any, by which the Estimated Net Indebtedness is greater than the Net Indebtedness Target,

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plus (v) the amount, if any, by which the amount of the Estimated Net Indebtedness is less than the Net

Indebtedness Target.

(c) All payments from Purchaser to Seller made pursuant to this Agreement or any other Ancillary Agreement shall be made in U.S. dollars by wire transfer of immediately available funds to the bank account(s) identified in writing by Parent; provided, however, that Seller may, by written notice delivered to Purchaser at least three (3) Business Days prior to the applicable payment date, direct Purchaser to wire transfer any payment to a different account as set forth in such written notice.

2.4 Purchase Price; Adjustments. The Purchase Price shall be subject to adjustment as set forth below, and all references in this Agreement to the Purchase Price shall be deemed to be the Purchase Price as adjusted pursuant to this Section 2.4.

(a) Net Working Capital Adjustment.

(i) Parent will prepare or cause to be prepared in good faith and delivered to Purchaser not later than three (3) Business Days prior to the Closing Date, an estimated combined balance sheet of the Companies prepared in accordance with the Accounting Principles, as of the Closing (the "Estimated Closing Balance Sheet"), together with a written statement setting forth in reasonable detail its good faith estimate of Net Working Capital (the "Estimated Net Working Capital") and Net Indebtedness (the "Estimated Net Indebtedness") as of the Closing using the appropriate data from the Estimated Closing Balance Sheet (the "Estimated Closing Statement").

(ii) If the Estimated Net Working Capital is less than the Net Working Capital Target, then the Purchase Price shall be reduced dollar-for-dollar by the amount of such difference, and if the Estimated Net Working Capital is greater than the Net Working Capital Target, then the Purchase Price shall be increased dollar-for-dollar by the amount of such difference.

(iii) If Net Working Capital, as finally determined pursuant to this Section 2.4, is less than the Estimated Net Working Capital, then the Purchase Price shall be reduced dollar-for-dollar by the amount of such difference. If Net Working Capital, as finally determined pursuant to this Section 2.4, is greater than the Estimated Net Working Capital, then the Purchase Price shall be increased dollar-for-dollar by the amount of such difference.

(b) Net Indebtedness Adjustment.

(i) If the Estimated Net Indebtedness is less than the Net Indebtedness Target, then the Purchase Price shall be increased dollar-for-dollar by the amount of such difference, and if the Estimated Net Indebtedness is greater than the Net Indebtedness Target, then the Purchase Price shall be reduced dollar-for-dollar by the amount of such difference.

(ii) If Net Indebtedness, as finally determined pursuant to this Section 2.4, is greater than Estimated Net Indebtedness, then the Purchase Price shall be reduced dollar-for-dollar by the amount of such difference. If Net Indebtedness, as finally determined pursuant to this Section 2.4, is less than Estimated Net Indebtedness, then the Purchase Price shall be increased dollar-for-dollar by the amount of such difference.

(c) Closing Balance Sheet; Schedule of Adjustments. The determination of the adjustments, if any, required to be made to the Purchase Price pursuant to clauses (a) and (b) of this Section 2.4 shall be made pursuant to the following provisions:

(i) As promptly as practical, but in no event more than sixty (60) days after the Closing Date, Purchaser shall prepare or cause to be prepared a combined balance sheet of the Companies as of immediately prior to the Closing (the "Closing Balance Sheet"), as well as a calculation of Net Working Capital and Net Indebtedness, and deliver to Parent the Closing Balance Sheet, as well as calculations of Net Working Capital, Net Indebtedness and the adjustments, if any, required to be made to the Purchase Price pursuant to clauses (a) and (b) of this Section 2.4 (the "Schedule of Adjustments"). The Schedule of Adjustments shall be accompanied by reasonable supporting documentation containing reasonable detail as to the components or calculations of Net Working Capital, Net Indebtedness and Transaction Expenses. The Closing Balance Sheet shall be prepared in accordance with the Accounting Principles. The Parties agree that any proposed adjustments to the Estimated Net Working Capital or the Estimated Net Indebtedness will not involve changes in or challenges to the accounting methodologies, policies or procedures that were made in accordance with the Accounting Principles.

(ii) During the thirty- (30) day period following the delivery by Purchaser of the Closing Balance Sheet, as well as the calculations of Net Working Capital, Net Indebtedness and the Schedule of Adjustments, Parent and its advisors may review the Closing Balance Sheet and such supporting documentation and shall have reasonable access during normal business hours to Purchaser's and the Companies' personnel as may be reasonably necessary to permit Parent and its advisors to review in detail the manner in which the Closing Balance Sheet and the calculations of Net Working Capital and Net

Indebtedness were prepared. If Purchaser fails to provide Parent the Closing Balance Sheet or Schedule of Adjustments, if any, within sixty (60) days after the Closing Date, the Estimated Closing Balance Sheet and the Estimated Closing Statement shall be final and binding on the Parties. Purchaser and Parent shall, and shall cause the Companies, as well as their respective advisors, to reasonably cooperate with one another in facilitating the preparation of the Closing Balance Sheet and its review. Upon completion of such review, Parent shall give any comments or objections it has with respect to the Closing Balance Sheet and the calculations of Net Working Capital and Net Indebtedness to Purchaser in writing within such thirty (30) day period (the "Objection Letter"). Purchaser and Parent shall use their reasonable best efforts to resolve any differences and issues set forth in the Objection Letter. If no Objection Letter is delivered or the matters set forth in the Objection Letter are so resolved, then the Closing Balance Sheet, as adjusted for any changes as are agreed by Parent and Purchaser, shall be final and binding on the Parties. If the matters raised in the Objection Letter cannot be resolved between Purchaser and Parent within fifteen (15) days of delivery of the Objection Letter, the question or questions in dispute shall then be submitted within an additional ten (10) days to an accounting firm of recognized standing mutually agreeable to Parent and Purchaser (other than Parent's auditors and Purchaser's auditors) (the "Independent Auditor"), the decision of which as to such question or questions in dispute shall be final and binding on the Parties. The Independent Auditor shall be instructed to resolve solely the question or questions in dispute within thirty (30) days of submission. Each Party shall cooperate with and assist the Independent Auditor in its determination, including by making available and granting reasonable access to records and employees. The fees of Purchaser and the Companies' advisors incurred in connection with the preparation of the Closing Balance Sheet, as well as the calculation of Net Working Capital, Net Indebtedness and the Schedule of Adjustments, shall be borne by Purchaser, and the fees of Parent's advisors incurred in connection with its review of the Closing Balance Sheet, as well as the calculation of Net Working Capital, Net Indebtedness and the Schedule of Adjustments, shall be borne by Parent. The cost of the Independent Auditor shall be paid by the Party whose aggregate estimate of the disputed amount or amounts, as the case may be, differs most greatly from the determination of the Independent Auditor. If the Parties' aggregate estimates of the disputed amount or amounts differ equally from the determination of the Independent Auditor, the cost of the Independent Auditor shall be borne equally by the Parties.

(iii) If it is determined pursuant to this clause (c) that the Purchase Price paid at the Closing is less than the Purchase Price as adjusted pursuant to clauses (a) and (b) of this Section 2.4, Purchaser shall remit such difference to Seller.

(iv) If it is determined pursuant to this clause (c) that the Purchase Price paid at the Closing is greater than the Purchase Price as adjusted pursuant to clauses (a) and (b) of this Section 2.4, Seller shall remit such difference to Purchaser.

(v) Any cash payment to be made as a result of adjustments made in accordance with clauses (a) and (b) shall be paid within five (5) Business Days of the final determination of such adjustments by wire transfer of immediately available funds. Any such payment shall be made to such account or accounts as may be designated in writing by the Party entitled to such payment at least two (2) Business Days prior to the date that such payment is to be made.

2.5 Purchase Price Allocation.

(a) Seller and Purchaser agree that (i) the sale and purchase of the Company Units shall be treated for U.S. federal and state income Tax purposes as the sale and purchase of all the assets of U.S. Pipe and Fast Fabricators and (ii) the Purchase Price, adjusted in accordance with this Agreement and modified to the extent required for U.S. federal income Tax purposes, shall be allocated among the assets of U.S. Pipe and Fast Fabricators for all Tax purposes in a manner consistent with Section 1060 of the Code and the Treasury Regulations promulgated thereunder. No later than ninety (90) days after the Closing Date, Purchaser shall deliver to Seller a prepared Form 8594 and any required exhibits thereto (the "Asset Acquisition Statement") allocating the Purchase Price (as adjusted and modified) among the assets of U.S. Pipe and Fast Fabricators in a manner consistent with this Section 2.5 and any Purchase Price allocation that is agreed upon at Closing, which shall be subject to the reasonable approval of Seller.

(b) Seller shall have a period of fifteen (15) Business Days after the delivery of the Asset Acquisition Statement (the "Response Period") to notify Purchaser of any objections Seller may have to the allocations set forth therein (an "Objection Notice"). Unless Seller timely objects, such Asset Acquisition Statement shall be binding on the Parties without further adjustment, absent manifest error.

(c) If Seller shall raise any objections within the Response Period, Purchaser and Seller shall use their reasonable best efforts to resolve such dispute. If the parties fail to agree within fifteen (15) days after the delivery of the Objection Notice, then the disputed items shall be resolved by an Independent Auditor selected pursuant to the procedures set forth in Section 2.4(b), whose determination shall be final and binding on the Parties, absent manifest error. The Independent Auditor shall resolve the dispute within thirty (30) days after the dispute has been referred to it. The fees and expenses of such Independent Auditor shall be borne by Purchaser.

(d) The Asset Acquisition Statement, as finally determined, shall be amended by Purchaser and Seller

consistent with Section 1060 and other applicable Tax law to reflect any adjustments to the Purchase Price hereunder. For all Tax purposes, Purchaser and Seller shall report the transactions contemplated by this Agreement in a manner consistent with the Allocation Schedule as it may be amended from time to time and the terms of this Agreement, and unless otherwise required by Law, neither Purchaser nor Seller will take any position inconsistent therewith in any Tax Return. Seller and Purchaser shall provide a copy of the filed Form 8594 to the other party, upon request.

2.6 Reimbursement of Payments. In the event that Seller (and/or any Seller's Affiliates) receive any payment either (i) belonging to Purchaser or the Companies or (ii) inadvertently paid by Purchaser to Seller, Seller (and/or any Seller's Affiliates) shall hold such payment in trust for Purchaser or the Companies, as applicable and remit such payment to Purchaser or the Companies, as applicable, in the form received within five (5) Business Days of receipt of such payment. In the event that after the Closing Date the Companies or Purchaser receive any payment (i) belonging to the Seller or Parent or (ii) inadvertently paid by Seller to Purchaser, the Purchaser or the Companies, as applicable, shall hold such payment in trust for the Seller or Parent, as applicable and remit such payment to Seller or Parent, as applicable, in the form received within five (5) Business Days of receipt of such payment.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER AND PARENT

Except for the representations and warranties of Seller and Parent contained in this Article III (in each case, as modified by the (i) specific disclosures made (to the extent expressly identified as disclosures relating to the Companies) in Parent's most recent annual report on Form 10-K filed with the SEC and any other forms, reports, schedules, registration statements and proxy statements filed with the SEC from November 29, 2011 through the date hereof under the Securities Act or the Exchange Act, other than disclosures referred to in the "Risk Factors" section of such reports; and (ii) disclosure schedules with respect thereto, which are attached hereto and made a part hereof (the "Seller Disclosure Schedule")), none of Seller, Parent or any other Person makes any other express or implied representation or warranty (whether oral or written) with respect to Seller, Parent, either Company or any other Person or the transactions contemplated by this Agreement, and each of Seller, the Companies and Parent disclaims any other representations or warranties, whether made by any of their respective Representatives or otherwise expressed or implied. The Seller Disclosure Schedule contains specific reference to the Section of this Article III as to which the information stated in such disclosure relates; provided, however, that the inclusion of any fact or item disclosed in any Section or subsection of the Seller Disclosure Schedule shall be deemed disclosed and incorporated in each other Section of the Seller Disclosure Schedule where it is expressly cross-referenced therein. Purchaser acknowledges and agrees that it has not relied on any representations and warranties other than the express representations and warranties set forth in this Article III. In addition, all representations and warranties of Seller and Parent as of the date hereof assume that the Restructuring has occurred and has been completed in accordance with Section 5.1(b) of the Seller Disclosure Schedule. Each of Seller and Parent represents and warrants to Purchaser as follows:

3.1 Organization, Standing and Power.

(a) Parent is a corporation, and Seller is a limited liability company, each of which is duly organized, validly existing and in good standing under the Laws of Delaware. Each of Seller and Parent has the power and authority to own, use, license, lease and operate its Assets and Properties and to carry on its business as it is now being conducted and is duly qualified, licensed or admitted to do business and is in good standing in each jurisdiction in which the ownership, use, licensing, leasing or operation of its business makes such qualification, licensing or admission necessary, except where the failure to be so qualified would not have a Material Adverse Effect.

(b) Each Company is a limited liability company duly formed, validly existing and in good standing under the laws of the state of its formation. Each Company has full limited liability company power and authority to own, lease or operate its Assets and Properties and to carry on its business as now being conducted. Each Company is duly qualified to transact business and is in good standing as a foreign limited liability company in each jurisdiction wherein its ownership or leasehold possession of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect on such Company. Complete and correct copies of the Articles of Organization and the Operating Agreement of U.S. Pipe, each dated as of September 23, 2005 (as may be amended after the date hereof with the prior written consent of Purchaser, the "U.S. Pipe LLC Agreement"), and the Limited Liability Agreement of Fast Fabricators, dated as of November 23, 2006 (as may be amended after the date hereof with the prior written consent of Purchaser, the "Fabricators LLC Agreement" and with the U.S. Pipe LLC Agreement, the "LLC Agreements"), have been made available to Purchaser. Neither Company is in violation of any of the provisions of its respective LLC Agreement that are in effect as of the date hereof.

(c) Neither Company has any Subsidiaries, and neither Company owns (of record or beneficially) any capital stock or other equity securities of any other corporation, limited liability company, general or limited partnership, firm,

association or business organization, entity or enterprise.

3.2 Capitalization and Equity Ownership.

(a) Parent is the lawful owner of one hundred percent (100%) of the issued and outstanding equity interests of Seller. Seller is the lawful owner of the Company Units, and Seller has good and valid title to the Company Units, free and clear of any and all Encumbrances. Seller's Company Units constitute one hundred percent (100%) of the issued and outstanding equity interests of each Company, all of which have been duly authorized and validly issued, are fully paid and non-assessable, were issued in accordance with the registration or qualification provisions of relevant Laws, or pursuant to valid exemptions therefrom. Except for the Company Units, no other equity or ownership interests of either Company is issued or outstanding and there are no outstanding subscriptions, options, warrants, convertible securities, commitments or demands of any character, preemptive or otherwise or any other rights whatsoever for the purchase or sale of securities with respect to either Company, other than the U.S. Pipe LLC Agreement or the Fabricators LLC Agreement. Except for the LLC Agreements, there are no voting trust agreements or other contracts, agreements or arrangements restricting voting or dividend rights or transferability with respect to the Company Units or that provide for the sale, issuance, purchase, redemption or voting of, or dividend rights or transferability with respect to, the Company Units. There are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to either Company.

(b) Other than this Agreement and the Ancillary Agreements, there are no Contracts relating to the issuance, sale, voting, redemption, purchase or transfer of any Company Units or any other debt or equity securities or ownership interests of either Company or any other right to participate in the income, equity or the election of managers or officers of either Company.

3.3 Authority. Each of Parent and Seller has all requisite corporate or limited liability power, as applicable, and authority to enter into this Agreement and each other Ancillary Agreement to which it is a party and to carry out the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and each other Ancillary Agreement to which Parent or Seller is a party, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate or limited liability action, as applicable, required on the part of Parent or Seller. This Agreement has been, and the Ancillary Agreements to which Parent or Seller is a party will be, duly executed and delivered by Parent or Seller, as applicable. No other corporate or limited liability act or proceeding on the part of Parent or Seller is necessary to authorize this Agreement and each other Ancillary Agreement to which Parent or Seller is a party or the transactions contemplated hereby and thereby, and this Agreement and each other Ancillary Agreement to which Parent or Seller is a party constitutes the valid and legally binding obligations of Parent or Seller, as applicable, and is enforceable against Parent or Seller, as applicable, in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency or other similar Laws affecting the enforcement of creditors' rights in general and subject to general principles of equity.

3.4 No Conflicts. Except as listed in Section 3.4 of the Seller Disclosure, the execution and delivery by each of Seller and Parent of this Agreement and the Ancillary Agreements to which it is a party, and the consummation by each of Seller and Parent of the transactions contemplated hereby and thereby do not and will not:

(a) conflict with, or result in any violation of, the Certificate of Incorporation or bylaws of Parent or the articles of organization and operating agreement of Seller or either Company (collectively, the "Charter Documents");

(b) assuming compliance with the matters described in Section 5, conflict with, or result in a violation of, in any material respect, any Law or Order applicable to Seller, Parent, or either Company;

(c) assuming compliance with the matters described in Section 3.5 and receipt of consents listed in Section 3.5 of the Seller Disclosure Schedule, (i) conflict with or result in a material violation or breach of, (ii) constitute a material default (or an event that, with or without notice or lapse of time or both, would constitute a default) under, (iii) require Seller or Parent to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) materially impair any Company right of or result in or give to any Person any right of termination, cancellation, acceleration or modification in or with respect to, (v) result in or give to any Person any additional rights or entitlement to increased, additional, accelerated or guaranteed payments or performance under, or (vi) result in the loss of any material benefit under any of the terms, conditions or provisions of, any Material Contract; or

(d) result in the creation or imposition of (or the obligation to create or impose) any Encumbrance upon the Company Units or the business or any of the material Assets and Properties of either Company.

3.5 No Consents. Except as set forth in Section 3.5 of the Seller Disclosure Schedule, no consent, approval, license,

order or authorization of, or registration, declaration or filing with, notice to or waiver from any Governmental Entity or any other Person is required by or with respect to the business or any of the Assets and Properties of either Company or Seller or Parent in connection with the execution and delivery of this Agreement or the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby, except for such filings required by the HSR Act.

3.6 Title to Assets and Properties, Company Units and Rights in Licensed Assets and Properties; Absence of Encumbrances.

(a) Except as set forth in Section 3.6(a) of the Seller Disclosure Schedule, each Company has good and valid title to all of its Assets and Properties (including fee simple title to all Owned Real Property) free and clear of any Encumbrances, except for Permitted Encumbrances, and none of the Assets and Properties of either Company is subject to any preemptive right, or right of first refusal. Except as set forth in Section 3.6(a) of the Seller Disclosure Schedule, each Company has a lease, license or other form of authorization to Licensed Assets and Properties that is valid, binding and enforceable in accordance with their terms on the Company which is a party thereto and to the Knowledge of Seller, is valid, binding and enforceable on each counterparty thereto. Except as listed in Section 3.6(a) of the Seller Disclosure Schedule, all Assets and Properties and Licensed Assets and Properties of each Company are in good operating condition and repair, reasonable wear and tear and ordinary maintenance requirements excepted, and are suitable and adequate for use in the ordinary course of the business. Except as set forth in Section 3.6(a) of the Seller Disclosure Schedule, the Assets and Properties currently owned by each Company or the Licensed Assets and Properties currently leased or licensed by each Company are sufficient in order to conduct the Business consistent in all material respects with the manner in which such Company has conducted its business in the twelve (12) month period preceding the Closing Date.

(b) Section 3.6(b) of the Seller Disclosure Schedule contains a true, complete and correct list of all (i) real property owned by a Company ("Owned Real Property"), (ii) real property leased by a Company ("Leased Real Property" and together with the Owned Real Property, the "Real Property") and (iii) personal property leased by a Company with annual aggregate rental payments in excess of $50,000, and each Company has previously made available to Purchaser true, complete and correct copies of all documents relating to such leases. Except as set forth in Section 3.6(b) of the Seller Disclosure Schedule, neither Company has subleased or otherwise granted to any Person the right to use or occupy or purchase any Real Property. All of the Real Property Leases and Personal Property Leases are valid, binding and enforceable in accordance with their terms on the Company which is a party thereto, except as may be limited by bankruptcy, reorganization, insolvency or other similar Laws affecting the enforcement of creditors' rights in general and subject to general principles of equity, and to the Knowledge of Seller, is valid, binding and enforceable on each counterparty thereto. Neither Company is in default under any material provision of such lease applicable to it, and there has not occurred any event that, either alone or with the giving of notice or lapse of time or both, would constitute a default by a Company under any material provision of a Real Property Lease or a Personal Property Lease.

(c) There are now in full force and effect duly issued certificates of occupancy permitting the Real Property and improvements located thereon to be legally used and occupied as the same are now constituted. All of the Real Property has permanent rights of access to dedicated public highways. No fact or condition exists which would prohibit or adversely affect the ordinary rights of access to and from the Real Property from and to the existing highways and roads and there is no pending or, to the Knowledge of Seller, threatened restriction or denial, governmental or otherwise, upon such ingress and egress. There is not (i) to the Knowledge of Seller any claim of adverse possession or prescriptive rights involving any of the Real Property, (ii) any structure located on any Real Property which encroaches on or over the boundaries of neighboring or adjacent properties, (iii) any structure of any other party which encroaches on or over the boundaries of any of such Real Property, or (iv) except as set forth on Section 3.6(c) of the Seller Disclosure Schedule, any structure located on any Real Property that encroaches on or over the boundaries of any setback areas or other areas established by applicable local zoning ordinances. Except as set forth in Section 3.6(c) of the Seller Disclosure Schedule, none of the Real Property is located in a flood plain, flood hazard area, wetland or lakeshore erosion area within the meaning of any Law, regulation or ordinance. No public improvements have been commenced and, to the Knowledge of Seller, none are planned which in either case may result in special assessments against or otherwise materially adversely affect any Real Property. The Owned Real Property is not subject to any easements, covenants, conditions, restrictions, ordinances or such other limitations on title so as to make such Owned Real Property unusable for its current use or the title uninsurable or unmarketable.

(d) Since January 1, 2011, neither any Company nor Seller or Parent has received written notice of any, and to the Knowledge of Seller, there is not any (i) planned or proposed increase in assessed valuations of any Real Property, (ii) Order requiring repair, alteration, or correction of any existing condition affecting any Real Property or the systems or improvements thereat, (iii) condition or defect which could give rise to an order of the sort referred to in "(ii)" above, or (iv) underground storage tanks, or any structural, mechanical, or other defects of material significance affecting any Real Property or the systems or improvements thereat (including, but not limited to, inadequacy for normal use of mechanical systems or disposal or water systems at or serving the Real Property). No work that has been done or labor or materials that has or have been furnished to any Real

Property during the period of six (6) months immediately preceding the date of this Agreement could result in liens being filed against any of the Real Property in any such case where payment for such work or materials has not been accrued in the Financial Statements.

(e) Neither the whole nor any portion of the Real Property or any other assets of Company is subject to any Order to be sold or is being condemned, expropriated or otherwise taken by any Government Entity with or without payment of compensation therefor, nor to the Knowledge of Seller, has any such condemnation, expropriation or taking been proposed.

3.7 Financial Statements and Schedules.

(a) Parent has made available to Purchaser true, correct and complete copies of the unaudited financial statements of each Company, copies of which are attached to Section 3.7(a) of the Seller Disclosure Schedule, which include (i) the balance sheet and statement of operations as of and for the twelve (12) month periods ended September 30, 2010 and September 30, 2011 and (ii) the balance sheet (the "Recent Balance Sheet") and statement of operations as of and for the four (4) month period ended January 31, 2012 (together, the "Financial Statements"). Except as disclosed in Section 3.7(a) of the Seller Disclosure Schedule, the Financial Statements (x) present fairly, in all material respects, in conformity with the Accounting Principles, the financial condition of the Companies as at the dates thereof and the results of operations for the respective periods covered thereby, subject to (i) the absence of footnote disclosures, and (ii) changes resulting from normal immaterial year-end adjustments. Except as set forth in the Financial Statements, none of the companies maintain any "off-balance-sheet arrangement" within the meaning of Item 303 of Regulation S-K under the Securities Act of 1933 and (y) were compiled from books and records regularly maintained by management of the Companies used to prepare the financial statements of the Companies.

(b) Neither Company has any Liability, loss or obligation of any nature (whether absolute, contingent, or otherwise) that would if known to the Company on the Closing Date, in accordance with GAAP be disclosed on a balance sheet except for (a) Liabilities included or reflected on the balance sheet dated as of September 30, 2011 (which is included in the Financial Statements) or (b) Liabilities or performance obligations arising subsequent to September 30, 2011 in the ordinary course of business consistent with past practice.

(c) To the Knowledge of Seller, there has been no fraud, whether or not material, that involves management or employees of the Companies who have a significant role in the internal control over financial reporting of the Companies. Neither the Companies nor, to the Knowledge of Seller, any banking, financial or other outside advisors or independent accountants of the Companies has received any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of the Companies or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that either Company has engaged in questionable or fraudulent accounting or auditing practices.

3.8 Ordinary Course. Since October 1, 2010 until the date of this Agreement, each Company has conducted its business in the ordinary course consistent with past practice and there has not occurred any change, event or condition (whether or not covered by insurance) that has had or would reasonably be expected to have a Material Adverse Effect on either Company. In addition, without limiting the generality of the foregoing, since October 1, 2010 until the date of this Agreement, and except as set forth in Section 3.8 of the Seller Disclosure Schedule, neither Company has:

(a) except in the ordinary course of business consistent with past practice, entered into or terminated any strategic alliance, joint development or joint marketing Contract;

(b) authorized, declared, set aside or paid any distributions to any Person on the capital stock of such Company other than distributions to Seller;

(c) issued, or agreed to issue, any equity interests in any Company, or options, warrants or other rights of any kind to acquire any such equity interests, whether by purchase or conversion or exchange of other equity interests or other securities;

(d) except in the ordinary course of business consistent with past practice, (i) entered into any employment or consulting contract or commitment (whether oral or written), (ii) paid or agreed or made any commitment to pay any discretionary or stay bonus, to any Employee or independent contractor of or consultant to a Company, or (iii) adopted, amended, terminated or increased benefits under any Company Plan, in any case that resulted or would reasonably be expected to result in a material expense or Liability to a Company;

(e) made, granted or approved any (i) grant of any equity or equity-related award pertaining to the

securities

of a Company or any change in the vesting schedule applicable thereto, or (ii) increase in salary, rate of commissions, rate of consulting fees or other compensation of any current director, officer, or key Employee of a Company (other than annual increases consistent with past practices), or made any pension, retirement, profit-sharing, bonus or other employee welfare or benefit payment or contribution, other than payments or contributions required by a Company Plan as in effect on October 1, 2011;

(f) except in the ordinary course of business consistent with past practice, (i) entered into, amended or terminated any Contract between any Company and any shareholder, director or officer of any Company (or with any relative, beneficiary, spouse or Affiliate of any such Person); (ii) entered into, amended or terminated any Contract to which any Company is (or was) a party; or (iii) released or waived any material claims or rights under any Material Contract to which the Company is (or was) a party;

(g) made or changed any election in respect of any Tax, adopted or changed any accounting method in respect of any Tax, entered into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement, settlement or compromise of any claim or assessment in respect of any Tax, or consented to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any Tax;

(h) except as reflected in the Financial Statements, made any material change in accounting policies, principles, methods, practices or procedures;

(i) except in the ordinary course of business consistent with past practice, borrowed any amount except borrowing from Parent, Seller or any bank or other similar financial institutions or otherwise incurred any Indebtedness (including any Indebtedness of any other Person, the payment of which any Company is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, either severally or jointly with any other Person, whether contingent or otherwise);

(j) sold, transferred, or otherwise disposed of any of its Assets and Properties with a fair market value in excess of $100,000 individually or $500,000 in the aggregate with regard to a series of similar items, other than the sale of inventory in the ordinary course of business consistent with past practice;

(k) except in the ordinary course of business consistent with past practice, made any capital expenditures or commitments in excess of $500,000 individually or $1,000,000 in the aggregate with regard to a series of similar items;

(l) experienced any damage, destruction or loss (whether or not covered by insurance) to any of its Assets and Properties or Licensed Assets and Properties in excess of $1,000,000;

(m) licensed, sold or otherwise transferred any rights in Company-Owned Intellectual Property to any Person;

(n) except in the ordinary course of business consistent with past practice, made any material change in connection with its accounts payable or accounts receivable terms, policies or procedures;

(o) merged or consolidated with, acquired any interest in or acquired a substantial portion of the assets or business of any Person; or

(p) agreed, whether in writing or otherwise, to take any action described in this Section 3.8.

3.9 Litigation.

(a) Except as set forth in Section 3.9(a) of the Seller Disclosure Schedule, there are no, and there have not been any since October 1, 2011, material Actions or Proceedings pending or, to the Knowledge of Seller, threatened against either Company, Seller or Parent or any of their respective, Assets and Properties or the Licensed Assets and Properties.

(b) Except as set forth in Section 3.9(b) of the Seller Disclosure Schedule, (i) neither Company nor any of their respective Assets and Properties is subject to any material Order relating to the conduct of the business of either Company and (ii) there is no judgment, decree or Order applicable to Seller, Parent or either Company which could reasonably be expected to prevent, enjoin, alter or delay any of the transactions contemplated by this Agreement or the Ancillary Agreements.

3.10 Intellectual Property.

(a) Each Company owns all rights, title and interest in and to the Company-Owned Intellectual Property.

Except as set forth in Section 3.10(a) of the Seller Disclosure Schedule, no Action or Proceeding, claim or challenge by any other Person to any rights, title or interests, of such Company with respect to such Company-Owned Intellectual Property or any Company-Licensed Intellectual Property is pending against a Company or has been threatened in writing against a Company that is yet unresolved.

(b) Each Company possesses rights to the Company-Owned Intellectual Property and the Company-Licensed Intellectual Property sufficient for the conduct of the respective business of such Company as conducted in the twelve (12) month period preceding the Closing Date. Section 3.10(b) of the Seller Disclosure Schedule lists all IP Licenses other than commercially available shrink-wrap or click-wrap Software license agreements.

(c) Except as set forth in Section 3.10(c) of the Seller Disclosure Schedule, to the Knowledge of Seller, (i) no other Person has infringed, violated or misappropriated any Company-Owned Intellectual Property; and (ii) neither the Company-Owned Intellectual Property nor the conduct of the business of each Company as conducted during the twelve (12) month period preceding the Closing Date infringe, violate or misappropriate any proprietary Intellectual Property right or any contractual right in Intellectual Property of any other Person.

(d) Except as set forth in Section 3.10(d) of the Seller Disclosure Schedule, neither Company pays any royalties or other consideration for the right to use any Intellectual Property. Neither Company has taken or failed to take any action, and to the Seller's Knowledge no other event has occurred that could subject any IP License to termination or otherwise cause any such IP License not to be in effect as of the Closing Date. Neither Company is presently in material breach, and neither is alleged per a written notice of presently being in breach, under any IP License as of the Closing Date.

(e) Section 3.10(e) of the Seller Disclosure Schedule lists, with respect to the Company-Owned Intellectual Property, all (i) issued Patents and pending Patent applications, (ii) registered Trademarks, trade names and service marks; (iii) registered Copyrights; (iv) registered Domain Names; and (v) any other Company-Owned Intellectual Property that is the subject of an application, certificate or registration issued by any Governmental Authority in each case listing the jurisdictions in which each has been issued or registered or in which any application for such issuance and registration has been filed.

(f) Section 3.10(f) of the Seller Disclosure Schedule lists (i) all material licenses and sublicenses in effect as of the Closing Date as to which either Company is a party and pursuant to which any Person is authorized by a Company to use or has obtained some other rights to any Company-Owned Intellectual Property or Company-Licensed Intellectual Property and (ii) all agreements either Company has entered into which prohibits or restricts its use of Company-Owned Intellectual Property.

(g) Except as set forth in Section 3.10(g) of the Seller Disclosure Schedule, to the Knowledge of Seller, all Company-Owned Intellectual Property and all applications, certificates and registrations for all Company-Owned Intellectual Property involving registered Patents, Trademarks, Copyrights and Domain Names are valid and subsisting. Subject to Section 3.10(g) of the Seller Disclosure Schedule, all necessary registration, maintenance, renewal fees, annuity fees and taxes due as of the Closing Date that are in connection with any such Company-Owned Intellectual Property registered before any Governmental Entity have been paid.

(h) To the Knowledge of Seller, the Companies have complied in all material respects with all agreements governing the disclosure and use of Proprietary Information. The Companies have used commercially reasonable efforts to maintain the confidentiality and proprietary of all Proprietary Information of the Companies.

3.11 Environmental Matters. Except as set forth in the Environmental Disclosure Schedule or with respect to Non-Transferred Properties:

(a) All of the operations of both Companies comply, in all material respects, with all applicable Environmental Laws, and neither Company, nor any other Person for whose conduct either Company is or may be held responsible, is subject to any material Environmental Liabilities. Neither Company has received any yet unresolved written citation, directive, inquiry, notice, Order, summons, warning, request for information, or other written communication from a Governmental Entity that relates to (i) Hazardous Materials, or (ii) any alleged, actual, or potential violation of or failure to comply with any Environmental Laws.

(b) Neither Company has: (y) used, generated, stored, treated, disposed, handled or placed any Hazardous Material on, in, at, under, around or affecting any property currently or formerly owned, operated, occupied or leased by the Company or Parent (including, without limitation, property owned or leased pursuant to the Real Property Leases), except in material compliance with all Environmental Laws; or (z) disposed of, transported, sold, distributed, or manufactured any product, substance or

material of such Company which is or contains any Hazardous Material, except in material compliance with all

Environmental Laws. There has been no material Release or threatened Release of Hazardous Material by either Company on, in, at, under, around or affecting any property currently or formerly owned, operated, occupied or leased by either Company (including, without limitation, property owned or leased pursuant to the Real Property Leases), or at any off-site property where either Company has disposed of or arranged for the disposal of Hazardous Materials, that constitutes an Environmental Liability of either Company.

(c) To the Seller's Knowledge, (i) the Companies hold, and each Company is in compliance with, in all material respects, all permits required under the Environmental Laws for the lawful operation of the business as conducted during the preceding one (1) year period ("Environmental Permits"), and (ii) each Environmental Permit is valid and in full force and effect, and will remain in effect immediately after the Closing so as to allow the Companies to operate in compliance with Environmental Laws after Closing without interruption.

(d) There are no planned capital expenditures which, in the aggregate exceed $100,000, required to reduce, offset, limit or otherwise control pollution and/or emissions, manage waste or otherwise ensure compliance with Environmental Laws (including, without limitation, costs of remediation, or required implementation of noise or pollution control equipment).

(e) Neither Parent nor the Companies have retained or assumed by contract any Environmental Liability of any third party in connection with the Business or the Owned Real Property or the Leased Real Property or any property formerly owned, operated or leased by either Company that would reasonably be expected to lead to any future Environmental Liability of a Company.

(f) True and correct copies of (i) all material non-routine, written reports of environmental inspections, investigations, studies, audits, tests, reviews or other analyses; and (ii) all as yet unresolved written citations, directives, inquiries, notices, Orders, summonses, warnings, requests for information, or other written communications indicating or alleging material non-compliance with Environmental Laws, in each case with respect to the Business, the Owned Real Property or the Leased Real Property or any property formerly owned, operated or leased by either Company which document conditions that could reasonably be expected to lead to any Environmental Liability of a Company in the possession or reasonable control of the Seller, the Parent, or the Companies have been provided to the Purchaser.

(g) Neither this Agreement nor the consummation of the transactions contemplated hereby (including the Restructuring) will result in any obligations for site investigation, cleanup or remediation, or notification or disclosure to or consent pursuant to the Connecticut Transfer Act, also known as the Connecticut Property Transfer Program, Connecticut General Statutes Section 22a-134 *et seq.*, or the New Jersey Industrial Site Recovery Act, New Jersey Statutes §§ 13:1D-1, *et seq.*, 13:1K-6, 58:10-23.11a, *et seq.* and New Jersey Administrative Code, Title 7, Chapter 26B (collectively, the "Transfer Acts").

3.12 Taxes.

(a) Each Company is and has been since September 23, 2005, in the case of U.S. Pipe, and November 20, 2006, in the case of Fast Fabricators, a "disregarded entity" under Treasury Regulations § 301.7701-3(b)(ii) and applicable provisions of State income tax laws, and Parent has included all items of income, expense, deductions and credit of each Company on its federal and applicable state income Tax Returns for all periods since September 23, 2005, in the case of U.S. Pipe, and January 4, 2007, in the case of Fast Fabricators. Except as set forth in Section 3.12(a) of the Seller Disclosure Schedule, Parent, Seller and each Company (or Parent on its behalf) has duly and timely filed all material Tax Returns required to be filed by it and has paid all Taxes which are due, all material Tax Returns required to be filed by or on behalf of a Company are true, complete and accurate in all material respects. Neither Company has requested any extension of time within which to file any Tax Return which Tax Return has not yet been filed. Except as set forth in Section 3.12(a) of the Seller Disclosure Schedule, there are no outstanding waivers by either Company of any statute of limitations in respect of Taxes and no outstanding extensions by either Company of the time in which to assess a Tax or collect a deficiency. There are no pending requests by either Company to enter into an agreement or waiver extending any statute of limitations in respect of Taxes.

(b) Except as set forth in Section 3.12(b) of the Seller Disclosure Schedule, (i) there is no claim for any Tax that is an Encumbrance against any of the Assets and Properties of either Company or that is being asserted against either Company with respect to any of their respective Assets and Properties, except for Permitted Encumbrances, (ii) there is no audit of any Tax Return relating to a Company or any of the Assets and Properties of a Company is being conducted by any Taxing Authority and none has been threatened in writing by any Taxing Authority, and (iii) neither Company has received any written notice from any Taxing Authority relating to any issue which could adversely affect the Tax Liability of the Company in any material respect. Except for any payroll processor or similar entity, neither Company has granted any power of attorney that is currently in force with respect to any Taxes or Tax Returns.

(c) Each Company has, or caused to be, withheld all material amounts required to be withheld by Law from payment made to any Person, whether that Person is regarded as an Employee, independent contractor, or otherwise, in the conduct of each Company's business. Each Company has, or caused to be, timely paid to the appropriate Taxing Authority all material amounts so withheld or otherwise due in connection with all such payments, and has, or caused to be, timely filed all requisite returns with the Taxing Authorities with respect to such Taxes. Neither Company is a party to any Tax proceeding with respect to the withholding of material Taxes from any payments made in the conduct of its business. Neither Company is or has been required to make any adjustment pursuant to Section 481(a) of the Code or any similar provision of state, local or foreign Tax law by reason of any change in any accounting method, there is no application pending with any Taxing Authority requesting permission for any change in any accounting method for Tax purposes and no Taxing Authority has proposed any such adjustment or change in accounting method.

(d) Neither Company has received a written claim by any Taxing Authority in a jurisdiction where it does not file Tax Returns that such Company is or may be subject to taxation by that jurisdiction.

(e) Except as set forth in Section 3.12(e) of the Seller Disclosure Schedule, neither Company (i) has been a member of an affiliated group filing a combined, consolidated, or unitary Tax Return (other than a group the common parent of which was Parent), (ii) has any Liability for, or any indemnification or reimbursement obligation with respect to, Taxes of any Person under Treasury Regulation §1.1502-6 (or any similar provision of state, local, or foreign law) or as transferee or successor, or (iii) is a party to any tax sharing agreement, tax indemnity obligation or similar agreement, arrangement or practice with respect to Taxes which is currently in effect or will become effective following the date hereof, other than this Agreement or leases of real or personal property entered into in the ordinary course of business.

(f) Neither Company has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(g) Neither Company is subject to Tax in any non-U.S. jurisdiction by virtue of (i) having a permanent establishment or other place of business or (ii) having a source of income in that jurisdiction.

3.13 Employee Benefit Plans.

(a) Section 3.13(a) of the Seller Disclosure Schedule contains a true and complete list of each (i) "employee benefit plan" (within the meaning of Section 3(3) of ERISA), (ii) all medical, dental, life insurance, equity bonus or other incentive compensation, disability, salary continuation, severance, retention, retirement, pension and deferred compensation, and (iii) any other plans, agreements, trust funds or arrangements (whether written or unwritten, insured or self-insured) that provide compensation or benefits (A) established, maintained, sponsored or contributed to (or with respect to which any obligation to contribute has been undertaken) by a Company on behalf of any Employee, officer, director, stockholder or other service provider of a Company (or their beneficiaries or dependents), or (B) with respect to which a Company or any of its ERISA Affiliates has or has had any obligation on behalf of any such Employee, officer, director, stockholder or other service provider or beneficiary (collectively, the "Company Plans"). Section 3.13(a) of the Seller Disclosure Schedule identifies those Company Plans for which any Company is the sole or main plan sponsor (the "Company-Sponsored Plans"). Each Company Plan complies in all material respects in form and has been maintained and operated in all material respects in accordance with its terms and applicable Law, and each ERISA plan administrator of any such Company Plan has complied in all materials respects with its duties under applicable Law, including, without limitation, ERISA and the Code, and, other than routine claims for benefits in the ordinary course of business, since October 1, 2010, no claims have been asserted against any such Company Plan, any trustee or fiduciary thereof, or the assets of any trust of any Company Plan. Each Company Plan which is intended to meet requirements for tax-favored treatment under any provision of the Code satisfies the applicable requirements under the Code in all material respects and nothing has occurred that could cause the loss of such tax-favored treatment or the imposition of any tax or penalty. Each Company Plan intended to qualify under Section 401(a) of the Code has received a determination letter from the IRS upon which it may rely regarding its qualified status under the Code or is maintained on a prototype or volume submitter plan that has received a favorable opinion or advisory letter from the IRS upon which it may rely regarding its qualified status under the Code.

(b) Parent has made available to Purchaser complete and current copies of all of the Company Plans, including all amendments thereto, or a written description of any unwritten plan; any trust agreement, insurance contract or administrative services contract related to a Company Plan; the most recent employee handbooks and policies; and, for each Company Plan subject to ERISA, the most recent summary plan description; the most recent IRS determination letter for each Company Plan intended to be tax-qualified; and the three most recent Form 5500s and attached schedules, and related audited financial statements.

(c) Neither Company has communicated to its Employees, nor formally adopted or authorized, any plan

not disclosed pursuant to this Section 3.13 or any change in any existing Company Plan.

(d) To the Knowledge of Seller, (i) except as set forth in Section 3.13(d) of the Seller Disclosure Schedule, neither Parent nor any ERISA Affiliate (including each of the Companies) nor any of their respective predecessors has ever contributed to, contributes to, has ever been required to contribute to, or otherwise participated in or participates in or in any way, Directly or Indirectly, has any Liability with respect to any Seller Group Plan subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA, including, without limitation, any "multiemployer plan" (within the meaning of Sections 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the Code) or any "single-employer plan" (within the meaning of Section 4001(a)(15) of ERISA) which is subject to Sections 4063, 4064 or 4069 of ERISA, and (ii) other than Liabilities to be indemnified by Parent and Seller pursuant to Article VIII, neither Company has any Liability, Directly or Indirectly, contingent or otherwise, with respect to any plan disclosed pursuant to this subsection (d).

(e) Other than such continuation of benefit coverage under any Company Plan that is required by Section 1001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and Sections 601 through 608 of ERISA or comparable state law, and except as otherwise set forth in Section 3.13(e) of the Seller Disclosure Schedule, to Seller's Knowledge no Company Plan provides for retiree health coverage or retiree life insurance coverage.

(f) Except as set forth in Section 3.13(f) of the Seller Disclosure Schedule, neither the execution of this Agreement nor the consummation of the transactions contemplated by this Agreement will (either by themselves or in conjunction with any other event): (i) entitle any Employee or other service provider of a Company currently or formerly engaged in the conduct of a Company's business to severance benefits or any other payment (except as specifically contemplated therein) or (ii) accelerate the time of payment or vesting, or increase the amount, of compensation due any such Employee or service provider.

(g) Neither Company has any indemnity obligation on or after the Closing Date, for any Taxes imposed under Section 409A or 4999 of the Code and neither Company will be subject to a loss of deduction under Code Section 280G of the Code in connection with the transactions contemplated by this Agreement.

(h) All payments required by the Company Plans, (including, without limitation, all contributions or insurance premiums) with respect to all prior periods have been made or provided for by a Company and Parent in accordance with the provisions of each of the Company Plans or applicable Law.

(i) Except as set forth in Section 3.13(i) of the Seller Disclosure Schedule, to the Knowledge of Seller, no non-exempt "prohibited transaction," within the meaning of Section 4975 of the Code and Section 406 of ERISA, has occurred with respect to the Company Plans.

(j) Except as set forth in Section 3.13(j) of the Seller Disclosure Schedule, none of the Company Plans is under, and neither Company nor Parent has received any notice of, an audit by the IRS, DOL or any other Governmental Entity, and no such completed audit, if any, has resulted in the imposition of any Tax or penalty.

(k) No deferred compensation plan subject to Code Section 409A and in which any Company employee participated has been terminated within the past three (3) years.

3.14 Employee Matters.

(a) Except as set forth in Section 3.14(a) of the Seller Disclosure Schedule, in the last two (2) years, (i) there has been no federal or state claim filed, processed or otherwise litigated (including court claims, complaints or charges before a federal or state administration agency) alleging discrimination or harassment on the basis of sex, age, disability (as defined by the Americans with Disabilities Act or corresponding state law), race, national origin, religion or federal or state statutory discrimination claim, complaint or charge relating to employment, or any common law claim (including claims of wrongful termination and/or tort claims) by any Employee against a Company, nor is any such claim threatened in writing; and (ii) neither Company nor Parent has received any written notice of any claim that it has failed to comply in any respect with any Law relating to the employment or termination of employment of any of the Employees (including any provisions thereof relating to wages, hours, collective bargaining, the payment of social security and payroll taxes, equal employment opportunity, employment discrimination, failure to reasonably accommodate a disability, family or medical leave, immigration, including IRCA, the WARN Act, and employee safety) or that it is liable for any arrearage of wages or any Tax or penalty for failure to comply with any of the foregoing, nor during the last two (2) years has any such claim been threatened in writing.

(b) Except as set forth in Section 3.14(b) of the Seller Disclosure Schedule, there is no pending claim

against a Company by any Employee under any workers' compensation plan or policy or for long-term disability under any long-

term disability plan in excess of $100,000.

(c) Section 3.14(c) of the Seller Disclosure Schedule lists each collective bargaining agreement or other labor union contract to which a Company is a party. Except as disclosed in the Seller Disclosure Schedule, in the last two (2) years there has been no work stoppage, strike, arbitration proceeding or other concerted action by any Employees, and there is no strike, labor dispute or union organization activity pending or, to the Knowledge of Seller, threatened in connection with a Company.

(d) Except as set forth in Section 3.14(d) of the Seller Disclosure Schedule, the employment of each Employee of a Company is terminable at the will of such Company, and neither Company is a party to any employment, non-competition, severance or similar contract or agreement with any Employee of such Company (any such agreement, an "Employment Agreement"). To the Knowledge of Seller, no Employee of a Company is a party to, or is otherwise bound by, any agreement, including any confidentiality, non-competition or proprietary rights agreement, between such Employee and any Person other than a Company or Parent, as the case may be, that adversely affects the performance of that Employee's duties as an employee of a Company.

(e) Seller has made available to Purchaser concurrently with Seller's execution and delivery of this Agreement a correct and complete list of all employees of the Companies as of a date not more than five (5) Business Days prior to the date hereof, and sets forth for each such employee the following: (i) name, (ii) title or position and employment status, (iii) hire date or date of commencement of employment, (iv) current annual base compensation rate; and (v) commission, bonus or other incentive-based compensation provided to each such individual as of the date hereof. Except to the extent caused by the date of this Agreement and the Closing Date occurring between normal paydays and except for any other employment terms providing for deferred or contingent accrual or payment of compensation, all commissions, bonuses and other compensation due and payable to employees of the Companies for services performed on or prior to Closing Date hereof have been paid in full. At Closing, Section 3.14 of the Seller's Disclosure Schedule will contain a correct and complete list of all former employees of the Companies whose employment was terminated in the ninety (90) days prior to the Closing.

3.15 Insurance.

(a) Section 3.15 of the Seller Disclosure Schedule contains a current list of all insurance policies maintained by a Company or by Parent or Seller with respect to the Assets and Properties, Licensed Assets and Properties, or business of a Company for events occurring or claims made during the period beginning October 1, 2010 until the date hereof (the "Insurance Policies") including a notation as to which such Insurance Policies are currently in effect. The insurance provided under the Insurance Policies is (i) in such amounts, with such deductibles and against such risks and losses as are reasonable in respect of the operations of the business of the Companies and (ii) for such amounts as are sufficient for all requirements of Law and all Contracts to which the Companies are a party or by which it such Company is bound. The Insurance Policies are in full force and effect, and all premiums due and payable thereon have been paid in full.

(b) Except as set forth in Section 3.15 of the Seller Disclosure Schedule, there is no claim pending under the Insurance Policies for an amount in excess of $100,000 and there is no such claim pending as to which coverage has been questioned, denied or disputed. None of Parent, Seller or the Companies has received any written notice of cancellation or termination of the Insurance Policies. Neither of the Companies has failed to give any notice or present any material claim thereunder in due and timely fashion. The Company has not been refused any insurance with respect to the Business, nor has its coverage been limited, by any insurance carrier to which it has applied for any such insurance with which it has carried insurance since January 1, 2008. Except as disclosed on Section 3.15 of the Seller Disclosure Schedule, there are no risks with respect to the Companies' assets or businesses which the Companies have designated as being self-insured. None of the Company or any of the Subsidiaries has received any written notice of cancellation or non-renewal of any such policies and all such policies will remain in full force and effect immediately following the consummation of the transactions contemplated by this Agreement.

3.16 Brokers' and Finders' Fees; Third Party Expenses. Except as set forth in Section 3.16 of the Seller Disclosure Schedule, none of either Company, Seller, Parent or any of their respective Affiliates, stockholders, Employees or agents has incurred, nor will incur, Directly or Indirectly, any Liability for brokerage, finders', or financial advisor's fees or agents' commissions or investment bankers' fees or any similar charges, fees or commissions in connection with this Agreement or any of the transactions contemplated hereby.

3.17 Contracts.

(a) Except for the Contracts described in Section 3.17 of the Seller Disclosure Schedule, neither Company is a party to or bound by:

(i) any distributor, agency, advertising agency, marketing, manufacturer's or representative sales Contract involving annual payments by a Company of $100,000 or more or aggregate payments to a Company of $500,000 or more;

(ii) any collective bargaining agreement or other labor union Contract to which any Company is a party;

(iii) any Contract that (A) involves (or is reasonably expected to involve) aggregate payments by or to a Company of $500,000 or more in the twelve (12) months subsequent to September 30, 2011, other than a Contract with a customer or supplier of a Company, or (B) contains any covenant or other provision which limits either Company's (or any employee of the Company's) ability to compete with any Person in any market, area, jurisdiction or territory; or to solicit any employee, customer or other Person;

(iv) any trust indenture, mortgage, promissory note, loan agreement or other Contract, except for those which are in Parent's name and for which neither Company has any Liability, for the borrowing of money, or other Indebtedness (including any Indebtedness of any other Person, the payment of which any Company is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, either severally or jointly with any other Person, whether contingent or otherwise), any currency exchange, commodities or other hedging arrangement, or any guarantees or any letter of credit issued for the account of a Company, including capital leases, in excess of $50,000;

(v) any Contract for capital expenditures related to the conduct of the Business in excess of $500,000;

(vi) any Contract of guarantee, support, indemnification, or any similar commitment with respect to, the obligations, or Liabilities of a Company or any other Person whether secured or unsecured where the obligation or Liability reasonably could be expected to be $250,000 or more individually or in the aggregate with regard to a series of similar items;

(vii) any Employment Agreement;

(viii) any joint venture, partnership or other similar agreement involving co-investment with a third party to which a Company is a party or which involve the investment by any Company in any Person;

(ix) any Contract for the lease or use of personal property (whether as lessor or lessee) having a value in excess of $100,000;

(x) any Real Property Lease;

(xi) any Contract to which a Company is a party that grants or conveys rights of first refusal, or contain "most favored nation", "most favored customer" or similar pricing provisions;

(xii) any Contract involving the sale of any Assets and Properties of a Company outside of the ordinary course of business, or the acquisition of any Assets and Properties of any Person by a Company outside of the ordinary course of business, in any business combination transaction (whether by merger, sale of stock, sale of assets or otherwise), in each case which have been entered into during the last three (3) years or under which obligations of any party thereto remain outstanding;

(xiii) any IP Licenses other than commercially available shrink-wrap or click-wrap Software license agreements;

(xiv) any consulting, joint development, development or similar Contracts relating to, or any Contract requiring the assignment of any interest in, any Company-Owned Intellectual Property; and

(xv) any Contract with a customer or supplier of a Company that is listed in Section 3.24 of the Seller Disclosure Schedule.

(b) The agreements, documents and instruments required to be set forth in the Seller Disclosure Schedule in clauses (i)-(xv) of Section 3.17(a) and the Personal Property Leases are referred to herein as "Material Contracts."

(c) True and complete copies or, if none, reasonably complete written descriptions of which, together with all amendments and supplements thereto and all waivers of any terms thereof, of each Material Contract required to be listed in

the Seller Disclosure Schedule pursuant to Section 3.17(a) have been made available to Purchaser.

3.18 No Breach of Material Contracts. Except as set forth in Section 3.18 of the Seller Disclosure Schedule, each of the Material Contracts is in full force and effect and will not cease to be in full force and effect after the Closing Date as a result of the Sale, and there exists no material default or event of default or event, occurrence, condition or act, with respect to a Company or, to the Knowledge of Seller, with respect to the other contracting party, which, with the giving of notice, the lapse of time or the happening of any other event or conditions, would become a material default or event of default under any Material Contract.

3.19 Affiliate Transactions. Except as set forth in Section 3.19 of the Seller Disclosure Schedule, there are no Contracts between either Company, on the one hand, and Seller or Parent or any of their Affiliates (other than the Companies) or with Walter Energy, Inc. or Walter Industries, Inc., on the other hand, other than the services contemplated in the Transition and Shared Services Agreement, attached hereto as Exhibit B, or as otherwise contemplated by this Agreement.

3.20 Compliance with Laws; Licenses.

(a) Except as set forth in Section 3.20(a) of the Seller Disclosure Schedule, each Company is in compliance and has complied in all material respects at all times since October 1, 2010 with each applicable Law to which such Company, its respective Assets and Properties or business, is or has been subject. Neither Company has received any written notice regarding any material violation of, conflict with, or failure to comply with, any Law since October 1, 2010. Each Company has duly obtained all material Governmental consents necessary for the lawful conduct of its business.

(b) Section 3.20(b) of the Seller Disclosure Schedule contains a true and complete list of each License that is held by a Company and each License that is held by Seller or Parent which is necessary for either Company to conduct its business as currently conducted. Each such License is valid and in full force and effect. Each Company, Seller and Parent, as applicable, is, and at all times since October 1, 2010, has been, in compliance in all material respects with each such License. The Licenses required to be listed pursuant to Section 3.20 on the Seller Disclosure Schedule collectively constitute all of the material Licenses necessary to permit each Company to lawfully conduct and operate its respective business in the manner currently conducted.

(c) No Company nor any Affiliate of any Company, nor to the Knowledge of Seller, any director, officer, employee or other Person associated with or acting on behalf of any of them, has directly or indirectly in violation of any Law or Order (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business for any Company, (ii) to pay for favorable treatment for business secured by any Company or (iii) to obtain special concessions or for special concessions already obtained, for or in respect of any Company or (b) established or maintained any fund or asset with respect to any Company that has not be recorded in the books and records of such Company.

3.21 Accounts Receivable. All of the outstanding accounts receivable shown on the Financial Statements and all outstanding accounts receivable that have arisen since the date of the Recent Balance Sheet (a) have been valued in accordance with the Accounting Principles, (b) represent, as of the respective dates thereof, valid Liabilities arising from sales actually made or services actually performed, in each case, in the ordinary course of business consistent with past practice and (c) fully reflect all returns, allowances, promotions and rebates. Except as set forth in Section 3.21 of the Seller Disclosure Schedule, neither Company has received any written notice of dispute, counterclaim or setoff regarding any accounts receivable outstanding as of the date hereof in an amount in excess of $50,000 individually. All of the outstanding accounts receivable deemed uncollectible have been reserved against on the Financial Statements in accordance with the Accounting Principles. The accounts receivable created since the date of the Recent Balance Sheet have been created in the ordinary course of business consistent with past practice. Since the date of the Recent Balance Sheet, none of the Companies have canceled, or agreed to cancel, in whole or in part, any accounts receivable; except in the ordinary course of business consistent with past practice.

3.22 Inventory. Except as set forth in Section 3.22 of the Seller Disclosure Schedule, all inventory reflected on the Financial Statements consists of a quality and quantity usable in the business of the Companies consistent with past practices and has been valued in accordance with the Accounting Principles. All of the inventory deemed obsolete, excessive, damaged, defective or below-standard quality has been reserved against, written off or written down to net realizable value on the Financial Statements and valued in accordance with the Accounting Principles.

3.23 Product Warranty/Liability. Section 3.23 of the Seller Disclosure Schedule contains a description of all (i) pending product recalls involving any Company products and (ii) recall campaigns to which any Company has been subject to since January 1, 2008. All products and services sold by either Company have been designed, manufactured, labeled and performed so as to meet and comply in all material respects with all applicable Governmental Entity standards and specifications, product

specifications, contractual commitments, express warranties and Laws and Orders.

3.24 Customers and Suppliers.

(a) Section 3.24(a) of the Seller Disclosure Schedule sets forth a true, correct and complete list, for the twelve (12) months ended September 30, 2011, of the ten (10) largest customers of goods and services by dollar revenue of each Company and the ten (10) largest suppliers of goods and services by dollar revenue to each Company.

(b) Except as set forth on Section 3.24(b) of the Seller Disclosure Schedule, no Person set forth on Section 3.24(a) of the Seller Disclosure Schedule (a) has threatened to cancel or otherwise terminate, or, to the Knowledge of Seller, intends to cancel or otherwise terminate, the relationship of such Person with either Company, or (b) has materially modified or decreased materially or threatened to materially modify or decrease materially or limit materially or, to the Knowledge of Seller, intends to materially modify its relationship with either Company or intends to decrease materially its purchases from, or services or supplies to, either Company.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Except for the representations and warranties of Purchaser contained in this Article IV, neither Purchaser nor any other Person makes any other express or implied representation or warranty (whether oral or written) with respect to Purchaser, any other Person or the transactions contemplated by this Agreement, and Purchaser disclaims any other representations or warranties, whether made by Purchaser or any of its Representatives. Purchaser represents and warrants to Seller and Parent as follows:

4.1 Organization, Standing and Power. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of Delaware and at least 50% of Purchaser's equity securities is owned by Wynnchurch as of the date of this Agreement. Purchaser has the corporate power and authority to own, use, lease and operate its Assets and Properties, and to carry on its business as it is now being conducted. Complete and correct copies of the Charter Documents of Purchaser, as amended and currently in effect, have been made available to Parent. Purchaser is not in violation of any of the provisions of Purchaser's Charter Documents.

4.2 Authority. Purchaser has the requisite corporate power to enter into, execute and deliver this Agreement and the Ancillary Agreements to which it is a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which Purchaser or any of its Affiliates are each a party, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate, shareholder and other action on the part of Purchaser. This Agreement has been, and the Ancillary Agreements to which Purchaser is a party will be, duly executed and delivered by Purchaser. This Agreement constitutes, and the Ancillary Agreements to which Purchaser is a party, when executed and delivered as contemplated by this Agreement, will constitute, assuming due authorization, execution and delivery by each of the other Parties hereto and thereto, legal, valid and binding obligations of Purchaser, enforceable against it in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, reorganization and insolvency laws, the rights of creditors generally, and general principles of equity.

4.3 No Conflict. The execution and delivery by Purchaser of this Agreement and the Ancillary Agreements to which it is a party do not, and the consummation by Purchaser of the transactions contemplated hereby and thereby will not (a) conflict with or result in any violation of (i) Purchaser's Certificate of Incorporation or bylaws, or (ii) any applicable Law or Order, or (b) conflict with or result in any material breach of or constitute a material default (or an event that with notice or lapse of time or both would constitute a default) under, or materially impair Purchaser's rights or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or Encumbrance on any of the properties or assets of Purchaser pursuant to, any Purchaser Contracts, except, with respect to any such conflicts, violations, breaches, defaults or other occurrences that would not, individually and in the aggregate, have a Material Adverse Effect on Purchaser.

4.4 No Consents. No consent, approval, license, order or authorization of, or registration, declaration or filing with, notice to or waiver from any Governmental Entity or any other Person is required by or with respect to Purchaser in connection with the execution and delivery of this Agreement or the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby, except for (i) such consents, authorizations, filings, approvals and registrations which would not prevent or alter or delay any of the transactions contemplated by this Agreement or any of the Ancillary Agreements, and (ii) such filings required by the HSR Act.

4.5 Financial Resources.

(a) Purchaser has sufficient funds to pay pursuant to the equity commitment (the "Equity Commitment") from Wynnchurch Capital Partners III, L.P. ("Wynnchurch"), together with borrowing capacity pursuant to a financing commitment from Wells Fargo Capital Finance, LLC (the "Debt Commitment" and together with the Equity Commitment, the "Commitments") to finance, the Purchase Price, and the Closing is not subject to any financing conditions. A true, correct and complete copy of the Commitments has been provided to Parent. Each Commitment is in full force and effect and constitutes a legal, valid and binding obligation of Purchaser and the other parties thereto, except that such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity. As of the date of this Agreement, neither Commitment has been amended or modified in any material respect nor has been withdrawn or rescinded in any respect. As of the date of this Agreement, no event has occurred which, with or without notice, lapse of time or both, would constitute a material default or material breach on the part of Purchaser under either Commitment. Purchaser has paid any and all fees which are due and payable under each Commitment. As of the date of the Agreement, Purchaser has no reason to believe that it will be unable to satisfy on a timely basis any term or condition of each Commitment.

(b) On or prior to the date hereof, Purchaser has delivered to Parent a copy of a guaranty, substantially in the form of Exhibit F (the "Guaranty"), duly executed by Wynnchurch with respect to the terms specified in the Guaranty.

(c) At the time of the consummation of the transactions contemplated herein, and after giving effect thereto, Purchaser will be solvent. For purposes of this Agreement, "solvent" shall mean that, on the date specified (i) the fair value of the assets of Purchaser shall be greater than the total amount of its liabilities, including those arising under any Law, Order, Contract, arrangement, commitment or undertaking, (ii) the present fair salable value of Purchaser's assets is not less than the amount that will be required to pay the probable debts and liabilities of Purchaser on its debts as they become absolute and matured in accordance with their stated terms, (iii) Purchaser does not intend to, and does not believe that Purchaser will, incur debts or liabilities beyond its ability to pay as such debts and liabilities mature prior to and including the Closing, and (iv) Purchaser is not engaged in, and is not about to be engaged in a business or a transaction for which its property would constitute unreasonably small capital.

4.6 Litigation. There is (a) no private or governmental Action or Proceeding pending by or against Purchaser or, to the Knowledge of Purchaser, threatened in writing by or against Purchaser, that challenges, or that could reasonably be expected to have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby, and (b) no judgment, decree or Order applicable to Purchaser, which could reasonably be expected to prevent, enjoin, alter or delay any of the transactions contemplated by this Agreement or the Ancillary Agreements.

4.7 No Brokers. Purchaser is not obligated for the payment of fees or expenses of any broker or finder in connection with the origin, negotiation or execution of this Agreement or the Ancillary Agreements or in connection with any transaction contemplated hereby or thereby.

4.8 Investigation by Purchaser. Purchaser has conducted its own independent review and analysis of each Company and their respective businesses, Assets and Properties, and Licensed Assets and Properties and has been provided access to the personnel, properties, Contracts, premises and records of each Company relating to such business, Assets and Properties, and Licensed Assets and Properties. Purchaser acknowledges that, except as set forth in Article III, none of Seller or Parent nor any other Person on behalf of Seller or Parent is making any representation or warranty, oral or written, either express or implied, as to the accuracy or completeness of any of the information provided or made available to Purchaser or any of its respective Affiliates or any of its respective attorneys, accountants, consultants or other agents or representatives or any other Person for its benefit.

4.9 Purchase for Investment. Purchaser is purchasing the Company Units for its own account as principal, not as a nominee or agent, for investment purposes only, and not with a view to or for resale or distribution thereof in whole or in part. Purchaser is an accredited investor as that term is defined in Rule 501(a) under the Securities Act of 1933.

ARTICLE V
COVENANTS

5.1 Conduct of Business by each Company, Seller and Parent.

(a) During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to its terms or the Closing Date, except to the extent that Purchaser shall otherwise consent in writing (such consent not to be unreasonably withheld or delayed), each Company shall carry on its respective business in the usual, regular and ordinary course consistent with past practices, pay its debts, Liabilities and Taxes when due subject to good faith disputes over such debts or Taxes, pay or perform other material obligations when due, and use its commercially reasonable efforts

MWPS010151

to (i) preserve substantially intact its present business organization and operations, (ii) keep available the services of its satisfactorily performing present officers and key Employees, (iii) preserve its relationships and goodwill with customers, suppliers, distributors, licensors, licensees, and others with which they have significant business dealings, and (iv) maintain and preserve their Assets and Properties and Licensed Assets and Properties in good repair, order and condition.

(b) Seller and Parent shall use their respective commercially reasonable best efforts to cause the Companies to complete the Restructuring on or before the Closing Date, provided that with respect to any portion of the Restructuring that is not completed by the Closing Date, Parent and Seller shall continue to use their respective commercially reasonable best efforts to complete the Restructuring as soon as practicable and to the extent any portion of the Restructuring remains uncompleted as of the date which is one hundred eighty (180) days from the Closing Date, shall use their respective best efforts to complete the Restructuring as soon as possible, and in any event no later than the date which is eighteen (18) months from the Closing Date. For purposes of clarity, Seller and Parent acknowledge and agree that "best efforts" as used in the foregoing sentence requires Seller and Parent to do and cause to be done timely such actions as are necessary or required by applicable Laws (including Environmental Laws) or any Governmental Authority, and to comply with any terms and conditions necessary, and to expend such funds as necessary, in order to complete the Restructuring, including without limitation delivering such guarantees, bonds, letters of credit, deposits or other financial assurances/support arrangements (including capitalization requirements) as are required to complete the Restructuring no later than the date which is eighteen (18) months from the Closing Date. Seller and Parent shall keep Purchaser informed of any and all developments in connection with the Restructuring, including by promptly providing copies of any written correspondence with or from any Governmental Entity and notice and summaries of any meetings or discussions with any Governmental Entity regarding the Restructuring. To the extent reasonable in the circumstances, Purchaser may attend meetings regarding the Restructuring and request information from any Governmental Entity regarding the Restructuring. Purchaser shall cause the Companies to reasonably cooperate with such Restructuring after the Closing and Seller and Parent shall reimburse Purchaser and the Companies for any Liabilities, costs and expenses incurred in connection therewith. For any properties contemplated to be transferred to Parent as a part of the Restructuring the transfer of which is not effected by the Closing, Parent shall operate, maintain and control such properties in the ordinary course of business consistent with past practice (except as expressly contemplated by the Restructuring) and in compliance with applicable Law, and shall indemnify Purchaser in connection with same, and any such properties shall be treated by the Parties for all purposes as though such transfer had been effected. Except as required or permitted by the terms of this Agreement, as required by applicable Law, or as expressly contemplated by the Restructuring, without the prior written consent of Purchaser (not to be unreasonably withheld, conditioned or delayed), during the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to its terms or the Closing Date, neither Company, nor Seller or Parent on behalf of a Company, shall do any of the following:

(i) Waive any repurchase rights to the securities of a Company, accelerate, amend or (except as specifically provided for herein) change the period of exercisability of options, warrants or restricted securities, or reprice options granted under any Employee, consultant, director or other plans pertaining to securities of a Company or authorize cash payments in exchange for any options granted under any of such plans or any warrants;

(ii) Grant or announce any option, equity or incentive awards or the increase in the salaries, bonuses or other compensation and benefits payable by a Company, Seller or Parent to any of the Employees, officers, directors, stockholders or other service providers of a Company, (B) hire any new employees, except in the ordinary course of business consistent with past practice and so long as such hiring is with respect to Employees with an annual base salary and incentive compensation opportunity not to exceed $150,000 and not more than $250,000 in the aggregate, (C) pay or agree to pay any pension, retirement allowance, termination or severance pay, bonus or other employee benefit not required by any existing Company Plan or other agreement or arrangement in effect on the date of this Agreement to any Employee, officer, director, stockholder or other service provider of a Company, whether past or present, in excess of $100,000 or more than $250,000 in the aggregate, (D) enter into or amend any Contracts of employment or any consulting, bonus, severance, retention, retirement or similar agreement, except where such Contracts or amendments do not and would not reasonably be expected to result in a material expense or Liability to a Company, or (E) except as required to ensure that any Company Plan is not then out of compliance with applicable Law, enter into or adopt any new, or increase benefits under or renew, amend or terminate any existing, Company Plan;

(iii) Transfer or license to any person or otherwise extend, amend or modify or terminate any material rights to any Company-Owned Intellectual Property or IP Licenses;

(iv) Issue, deliver, sell, authorize, pledge or otherwise encumber, or agree to any of the foregoing with respect to, any Company Units or any securities convertible into or exchangeable for Company Units, or subscriptions, rights, warrants or options to acquire any Company Units or any securities convertible into or exchangeable for Company Units, or enter into other agreements or commitments of any character obligating it to issue any such Company Units or convertible or exchangeable securities;

(v) Enter into, amend, terminate, or release or waive any material claims or rights under, any Contract which is (or would be) a Material Contract, other than in the ordinary course of business consistent with past practice;

(vi) Amend an LLC Operating Agreement, unless required to do so hereunder;

(vii) Acquire or agree to acquire by merging or consolidating with, or by purchasing any equity interest in or a portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets which are material, individually or in the aggregate, to the business of a Company, or enter into any joint ventures, strategic partnerships or alliances or other arrangements that provide for exclusivity of territory or otherwise restrict a Company's ability to compete or to offer or sell any products or services;

(viii) Sell, transfer, lease, license, encumber or otherwise dispose of any of the Assets and Properties of the Companies, except sales, transfers, licenses, leases or other dispositions of any of the Assets and Properties of the Companies in the ordinary course of business or that are not material, individually or in the aggregate, to a Company;

(ix) Amend any of the documents evidencing a Company's current Indebtedness or enter into any new agreements, arrangements, commitments or understandings, whether oral or written, to incur additional Indebtedness (including any Indebtedness of any other Person, the payment of which any Company is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, either severally or jointly with any other Person, whether contingent or otherwise), or make any loans, advances or capital contributions to, or investments in, any Person;

(x) Except as required by GAAP, make any change in accounting methods, principles or practices;

(xi) Except in the ordinary course of business consistent with past practices, incur or enter into any agreement, Contract or commitment requiring U.S. Pipe and/or Fast Fabricators to pay in excess of $500,000 in any 12 month period;

(xii) Make or rescind any Tax elections that, individually or in the aggregate, could be reasonably likely to adversely affect in any material respect the Tax Liability or Tax attributes of such party or any Purchaser Claimant, settle or compromise any material income tax Liability or, except as required by applicable law, change any method of accounting for Tax purposes or prepare or file any Tax Return in a manner inconsistent with past practice;

(xiii) Form, establish or acquire any Subsidiary;

(xiv) Cancel, compromise, waive or release any right or claim (or series of related rights and claims) either involving more than $500,000 or outside the ordinary course of business;

(xv) Commence, compromise or settle any suit, litigation, proceeding, investigation, mediation, arbitration or audit involving more than $50,000 or involving damages other than money damages;

(xvi) Make any change in connection with its accounts payable or accounts receivable terms, policies or procedures;

(xvii) Make capital expenditures except in the ordinary course of business consistent with past practices in an amount not to exceed $500,000 individually or $1,000,000 in the aggregate with regard to a series of similar items, except as contemplated by the Companies' Fiscal 2012 Annual Operating Plan, a copy of which was previously provided to Purchaser; or

(xviii) Agree in writing or otherwise agree, commit or resolve to take any of the actions described in Section 5.1(b)(i) through 5.1(b)(xvii) above.

5.2 Regulatory and Other Authorizations; Notices and Consents.

(a) Each of the Parties shall use all commercially reasonable efforts to obtain all permits, authorizations, consents, orders and approvals of all Government Entities that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and will cooperate fully with the other Party in promptly seeking to obtain

MWPS010155

all such permits, authorizations, consents, Orders and approvals. Each Party agrees to make an appropriate filing (the

"HSR Filings") pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") with respect to the transactions contemplated by this Agreement as soon as practicable after the date hereof but in no event later than fifteen (15) days following the execution and delivery of this Agreement and to supply as promptly as practicable to the appropriate Governmental Entity any additional information and documentary material that may be reasonably requested pursuant thereto. Any fees required for any filing that is necessary under the HSR Act shall be borne equally by Purchaser and Seller.

(b) All filings, applications, notices, analyses, appearances, presentations, memoranda, submissions, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party before any Governmental Entity in connection with the approval of the contemplated transactions (except with respect to Taxes) shall require the joint approval of Parent and Purchaser and be under the joint control of Parent and Purchaser, acting with the advice of their respective counsel, it being the intent that the Parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such filing, application, notice, analysis, appearance, presentation, memorandum, submission, brief, argument, opinion and proposal; provided, however, that nothing herein will prevent a Party from responding to or complying with a subpoena or other legal process to the extent required by Law. In addition, except as prohibited by Law or by consistent and lawful practice of any Governmental Entity, each Party shall (i) promptly notify the other Party of any communication to that Party from any Governmental Entity relating to the approval or disapproval of the transactions contemplated hereby and (ii) not participate in any meetings or substantive discussions with any Governmental Entity with respect thereto without consulting with and offering the other Party a meaningful opportunity to participate in such meetings or discussions.

5.3 Other Actions. Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions, and use its commercially reasonable efforts to do, to cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including using commercially reasonable efforts to accomplish the following: (a) the taking of all acts necessary to cause the conditions precedent set forth in Article VI to be satisfied; (b) the obtaining of all necessary actions, waivers, consents, approvals, orders and authorizations from Governmental Entities and the making of all necessary registrations, declarations and filings (including registrations, declarations, notifications and filings with Governmental Entities, if any) and the taking of all reasonable steps as may be necessary to avoid any suit, claim, action, investigation or proceeding by any Governmental Entity; (c) the obtaining of all consents, approvals or waivers from third parties required as a result of the transactions contemplated in this Agreement, including without limitation the consents referred to in the Seller Disclosure Schedule; (d) the defending of any suits, claims, actions, investigations or proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed; and (e) the execution or delivery of any additional instruments reasonably necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement, including without limitation the execution or delivery by Seller, Parent and/or the Companies of such affidavits, instruments and other documents in form and substance reasonably requested by Purchaser's title company in order to issue, with respect to each Owned Real Property, an owner's title insurance policy with extended coverage over standard exceptions, and with a standard non-imputation endorsement and such other endorsements as Purchaser may reasonably request (including, without limitation, gap, access, survey, tax parcel, zoning 3.1 (modified to include parking), comprehensive, and contiguity). Subject to applicable Laws relating to the exchange of information and the preservation of any applicable attorney-client privilege, work-product doctrine, self-audit privilege or other similar privilege, and except to the extent necessary to protect confidential competitively sensitive information, each of the Companies, Seller and Parent, on the one hand, and Purchaser, on the other hand, shall have the right to review and comment on in advance, and to the extent practicable each will consult the other on, all the information relating to such Party that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the transactions contemplated by this Agreement; provided, however, that neither party shall be required to share information of the type required to be disclosed by Section 4(c) and/or 4(d) of the HSR Act. In exercising the foregoing right, each Company, Seller, Parent, and Purchaser shall act reasonably and as promptly as practicable.

5.4 Confidentiality; Access to Information.

(a) Confidentiality. The terms of the Confidentiality Agreement shall remain in full force and effect. If this Agreement is terminated as provided in Article VII hereof, each Party (A) will promptly return or cause to be returned to the other all documents and other material obtained from the other in connection with the transactions contemplated hereby, and (B) will safeguard and handle all Proprietary Information of the other Party per the requirements of, and for such time period as specified by, the Confidentiality Agreement, and (C) will use its reasonable best efforts to delete from its computer systems all documents and other material obtained from the other in connection with the transactions contemplated hereby, except that, to the extent that any such provision of the Confidentiality Agreement causes such Agreement to be considered to be a confidential transaction as that term is defined in Treasury Regulation 1.6011-(b)(3), such provision shall be of force and effect.

MWPS010157

(b) Publicity. The Parties agree that (a) the initial press release with respect to this Agreement and the transactions contemplated hereby (which press release the Parties contemplate will be issued promptly following the execution and delivery of this Agreement) shall be a press release of Parent, subject to the review and approval of Purchaser, and (b) the press release with respect to the Closing hereby shall be a joint press release of Parent and Purchaser. Subject to the foregoing, no Party shall release, publish, or otherwise make available to the public in any manner whatsoever any information or announcement regarding the transactions contemplated herein without the prior written consent of the other Parties; provided, however, that nothing contained herein or in the Confidentiality Agreement will (x) limit any Party from making any announcements, statements or acknowledgments that such Party is required by applicable Law to make, issue or release, or (y) limit Parent from making any disclosures that it deems necessary or advisable to be made in filings with the SEC. Subject to the foregoing, Parent and Purchaser will consult with each other concerning the means by which each Company's Employees, customers, suppliers and others having business relations with each Company will be informed of the transactions contemplated hereby, and Purchaser will have the right to be present for any such communications.

5.5 Disclosure of Certain Matters. Parent may, by providing written notice to Purchaser, supplement or amend the Seller Disclosure Schedule, as applicable (each, a "Disclosure Schedule") being delivered pursuant to this Agreement with respect to any matter arising or discovered after delivery thereof which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Seller Disclosure Schedule. No supplement or amendment to the Seller Disclosure Schedule shall (a) eliminate the Purchaser's right, if any, to terminate this Agreement based on the inaccuracy of the representation or warranty of the supplementing or amending Party for purposes of determining satisfaction of the conditions set forth in Section 6.3(a) or (b) limit or otherwise affect the remedies available to any Party (including the right to seek indemnification hereunder). The rights and obligations of Parent to amend or supplement the Seller Disclosure Schedule being delivered herewith shall terminate on the Closing Date.

5.6 Employees and Company Plans.

(a) Purchaser shall cause each Company to continue the employment of each current Employee (including, without limitation, any Employee who is absent from work on the Closing Date on paid vacation or pursuant to any leave of absence) (as to each Company, the "Company Employees" and, collectively, the "Business Employees") from and after the Closing Date on substantially similar terms and conditions as such Company Employee is currently receiving for a period of at least ninety (90) days following the Closing Date, other than any termination instituted for cause or otherwise consistent with past practice and pursuant to existing rules and policies. The foregoing provision shall not apply to any Business Employee whose terms and conditions of employment are governed by a collective bargaining agreement to which a Company is a party, and the terms of any such collective bargaining agreement shall govern.

(b) Purchaser agrees to cause each Company to continue to maintain those Company Sponsored Plans, except for the Retiree Welfare Plans, and by no other Affiliates of that Company, on the same terms and conditions as such Company Plans are maintained immediately prior to the Closing Date through at least the six (6) month anniversary of the Closing; provided, however, that nothing in this Section 5.6(b) or elsewhere in this Agreement shall limit the right of a Company to amend or terminate any such Company Plan at any time after the six (6) month anniversary of the Closing, subject to the terms and conditions of any applicable collective bargaining agreement or, if required by applicable Law, prior to the six (6) month anniversary of the Closing.

(c) To the extent a Company participates in one or more Company Plans that are sponsored by one or more Affiliates of the Company (other than the Mueller Group, LLC Retirement Savings Plan No. 1, the Mueller Group, LLC Retirement Savings Plan No. 2, the Mueller Group, LLC Pension Plan for Selected Employees, the Mueller Water Products Non-Medicare Eligible Salaried Retirees component of the Mueller Water Products, Inc. Flexible Benefits Plan and any other Company Plan that provides retiree welfare for Company Employees, other than continuation of benefit coverage under any Company Plan that is required by Section 1001 of the Consolidated Omnibus Budget Reconciliation act of 1985, as amended, and Sections 601 through 608 of ERISA or comparable state law (together, the "Retiree Welfare Plans") which are addressed in subsections (e), (f) and (k) below), the Seller shall cause the Company (and any such Affiliate, if necessary) to take such action as is reasonably necessary to cause the Company immediately prior to the Closing Date to cease participation in each such Company Plan, to adopt a successor plan for those plans identified in Section 5.6(c) of the Seller Disclosure Schedule for Company Employees and, to the extent of continuing eligibility, former Employees of the Company, on the same terms and conditions as the predecessor Company Plan. The Purchaser shall cause each Company to continue to maintain the successor Company Plan through at least the six (6) month anniversary of the Closing; provided, however, that nothing in this Section 5.6(c) or elsewhere in this Agreement shall limit the right of a Company to amend or terminate any such successor Company Plan at any time after the six (6) month anniversary of the Closing, subject to the terms and conditions of any applicable collective bargaining agreement, or, if required by applicable Law, prior to the six (6) month anniversary of the Closing. Parent shall (or shall cause its Affiliates to) pay in the ordinary course all claims incurred prior to the Closing Date under each Company Plan that is sponsored by one or more Affiliates of the Company with respect to each current or

former Business Employee and any dependent or beneficiary thereof (except to the extent the assets

of such plan are transferred pursuant to subsections (e) and (i) hereof).

(d) With respect to the Mueller Group, LLC Pension Plan for Selected Employees, no later than immediately prior to the Closing Date, the Seller shall (i) take such action as may be necessary to freeze benefit accruals of Business Employees under such Company Plan (to the extent not already frozen); fully vest the benefits then accrued by such Business Employees; (iii) cause each Company that is a contributing sponsor to such Company Plan to cease to be a participating employer in such Company Plan; (iv) amend such Company Plan to recognize the Sale as a distributable event with respect to such Business Employees; (v) provide such notice to affected Business Employees as required by applicable Law; and (vi) file such reports to any Governmental Entity as required by applicable Law. In addition, with respect to such plan, to the extent any collective bargaining agreement covering Business Employees requires Business Employees to continue accruing vesting service under such plan for other reasons (for purposes of, for example, earning into early retirement eligibility), then the Seller shall cause Mueller Group, LLC to amend such plan to provide that service of any such Business Employee with the Companies after the Closing Date shall be counted as vesting service under such plan for such other reasons.

(e) With respect to the Mueller Group, LLC Retirement Savings Plan No. 1 and the Mueller Group, LLC Retirement Savings Plan No. 2, the Purchaser shall establish one or more plans under Section 401(a) of the Code, or amend existing plan(s), to the extent required to satisfy Code Section 411(d)(6) and all applicable collective bargaining obligations, and cause such plan(s) to accept a transfer of the assets and liabilities associated with the account balances maintained under each such Company Plan on behalf of Business Employees and, to the extent applicable, account balances of deferred vested participants who are former Employees of a Company.

(f) With respect to the Retiree Welfare Plans, the Seller shall or shall cause each Company to take such action as is reasonably necessary to cause each Company immediately prior to the Closing Date to cease participation in each such Retiree Welfare Plan. Seller shall also be responsible for providing any and all notices required by law or by the terms of any Retiree Welfare Plan to retirees and their dependants and beneficiaries of such cessation of participation.

(g) For purposes of participating in Company Sponsored Plans and any new or successor plans from and after the Closing Date, Purchaser agrees that the Business Employees shall receive credit for all service time as an employee of a Company, Seller or Parent prior to the Closing Date for purposes of eligibility to participate, vesting, and eligibility to receive benefits under any such plans and for all purposes with respect to leave benefits but only to the same extent past service is credited under such plans or arrangements for similarly situated employees generally. Notwithstanding the foregoing, nothing in this Section 5.6(g) shall be construed to require crediting of service that would result in (A) duplication of benefits, (B) service credit for benefit accruals under a defined benefit pension plan, or (C) service credit under a newly established plan for which prior service is not taken into account for employees generally.

(h) The Parties acknowledge and agree that all provisions contained in this Section 5.6 are included for the sole benefit of the Parties, and that nothing in this Agreement, whether express or implied, shall create any third party beneficiary or other rights (i) in any other Person, including, without limitation, any Business Employees, any participant in any Company Plan, or any dependent or beneficiary thereof, or (ii) to continued employment with Company, Purchaser or any of their Affiliates.

(i) To the extent necessary to discharge the obligations (i) (A) of Parent under Section 6(a) of the Employment Agreement with Paul Ciolino, dated August 9, 2010, and (B) of U.S. Pipe under Section 9.1 of the Executive Change-in-Control Severance Agreement with Paul Ciolino, dated August 9, 2010 (as subsequently amended on June 10, 2011), and (ii) under Section 8.1 of each of the Executive Change-in-Control Severance Agreements with, respectively, Robert Waggoner, Brad Overstreet, Stacey Barry, John Williams and Paul Pereira, each dated June, 2011, Purchaser shall cause U.S. Pipe from and after the Closing Date to assume expressly and agree to perform the obligations under such Employment Agreement and each such Executive Change-in-Control Severance Agreement, including any amendments thereto.

(j) Seller shall pay or cause to be paid, on or before Closing, all bonus/incentive payments relating to the performance period ended September 30, 2011.

(k) With respect to the Retiree Welfare Plans, other than continuation of benefit coverage under any Company Plan that is required by Section 1001 of the Consolidated Omnibus Budget Reconciliation act of 1985, as amended, and Sections 601 through 608 of ERISA ("COBRA") or comparable state law: (i) prior to the Closing Date, Seller shall take all actions necessary to assume all of the Company's obligations and liabilities under such plans, including but not limited to liabilities related to incurred but unpaid or unreported claims; (ii) Seller may amend such plans to provide that, as of the Closing Date, no Business Employee shall be entitled to be covered under such plans on and after the Closing Date other than any Business Employees who transfer employment to an Affiliate of the Company prior to the Closing Date, and (iii) Seller may amend such plans to provide that,

with respect to any retired employee of the Companies who are currently enrolled in such plans, coverage may terminate;

provided that any such retired employee who has been covered by such plans for less than eighteen months as of the date of coverage termination will be permitted to elect continuation coverage under COBRA for the remainder of the eighteen-month period. If Seller takes any action described in clauses (ii) or (iii) hereof, Seller shall be solely responsible for any liability resulting from such actions.

(l) Seller shall transfer any assets attributable to employee payroll deductions attributable to, and liabilities respecting, the flexible spending accounts maintained on behalf of Business Employees under the Mueller Water Products, Inc. Flexible Benefits Plan for the plan year containing the Closing Date, and Seller shall cause each Company to accept such assets and assume such liabilities under a substantially similar flexible spending account program.

(m) For those plans identified in Section 5.6(c) of the Seller Disclosure Schedule for Company Employees, Seller and Parent shall provide as soon as practicable following the execution of this Agreement drafts of those plans, summary plan descriptions, and contracts, including but not limited to administrator services agreements and insurance contracts ("Successor Materials"), which correspond to such identified plans. Purchaser shall have the ability to make or negotiate changes to such Successor Materials as it requests or may negotiate with third parties. Seller and Parent and Purchaser shall provide reasonable cooperation to each other during such process. Purchaser shall be responsible for the engagement of any legal counsel considered necessary or desirable to facilitate the process and all fees and expenses associated with any such engagement.

(n) Through the third anniversary of the Closing Date, Purchaser shall provide Seller with at least thirty (30) days' advance written notice of any cessation of operations, as contemplated by ERISA Section 4062(e) that affects the Business Employees, but without regard to the percentage threshold specified therein, at any location where the business of the Companies was being conducted immediately prior to the Closing Date, and Purchaser and Parent will consult with each other regarding actions that could be taken in connection with such cessation; provided that this Section 5.6(n) shall not require Purchaser to adopt any proposals presented by Parent.

5.7 Fees and Expenses. Whether or not the transactions contemplated by this Agreement are consummated, all fees and expenses incurred in connection herewith including, without limitation, all legal, accounting, financial advisory, finders, consulting and all other fees and expenses of third parties incurred by a Party in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such fee or expense.

5.8 Tax Matters. The following provisions shall govern the obligations and allocation of responsibility as between the Parties for certain Tax matters:

(a) Tax Returns. Each of the Parties agrees to cooperate with each other Party in the preparation of any Tax Returns to the extent of any reasonable request. Parent shall include all items of income, expense, deduction, and credit of each Company in its federal and state income Tax Returns (and, as applicable, any franchise Tax Return to the extent based on income) for all periods ending on and with the Closing Date, based on the actual events of each Company that occur in such periods and ending on and with the Closing Date, in a manner that is reflective of and consistent with past practices of each such Company and Parent except as otherwise required by applicable Law. Seller shall prepare and file, or cause to be prepared and filed, the Tax Returns of each Company that are required to be filed on or before the Closing Date, and each such Tax Return shall be reflective of and consistent with past practices of each Company except as otherwise required by applicable Law. Purchaser shall prepare and file, or cause to be prepared and filed, all Tax Returns of each Company required to be filed after the Closing Date, and each such Tax Return shall be reflective of and consistent with past practices of each Company except as otherwise required by applicable Law. For any Tax Return of the Company, other than an income Tax Return, that is required to be filed after the Closing Date that includes a taxable period that begins before the Closing Date, (i) Purchaser shall deliver to Parent for review and comment a copy of the proposed Tax Return no later than thirty (30) days prior to the filing date of such Tax Return (including extensions thereof), (ii) Purchaser shall prepare the proposed Tax Return in a manner not materially inconsistent with the past practice of such Company in preparing any similar Tax Return except as otherwise required by applicable Law, (iii) Purchaser shall not take any position or adopt any method in respect of any such Tax Return that is materially inconsistent with the positions taken, elections made or methods used in preparing or filing such similar Tax Return in prior periods except as otherwise required by Law and in each case, such Tax Return shall be in conformity with the Code, Treasury Regulations and any other applicable Law, and (iv) Purchaser shall accept the reasonable written comments of Parent in respect of any such Tax Return, provided that if Parent does not provide written comments to any such Tax Return within fifteen (15) days of the delivery of such Tax Return to Parent it shall be deemed to have no comments on such Tax Return.

(b) Taxes Payable. Notwithstanding and in lieu of the procedures set forth in Section 8.4, upon Purchaser's request, Parent shall pay to Purchaser in immediately available funds within thirty (30) days following the filing of the applicable Tax Return, an amount equal to the Pre-Closing Taxes shown as owing on all Tax Returns of either Company filed or caused to be filed by Purchaser. Within thirty (30) days after receipt, Purchaser shall pay or cause to be paid to Parent any refund of Taxes

received by Purchaser, any Company, or any Affiliate thereof after the Closing, or any Tax credit actually applied (to the extent so applied) to reduce the Taxes of Purchaser, any Company, or any Affiliate, for any period beginning after the Closing Date, to the extent that the Tax refunded or credited was paid on or before the Closing Date by any Company, Parent, or any Affiliate thereof for a period ending on or before the Closing Date (such portion with respect to a Straddle Period to be allocated consistently with the principles set forth in Section 5.8(c)).

(c) Straddle Periods. For purposes of this Agreement, whenever it is necessary to determine the Liability for Taxes (other than income Taxes) of either Company for any taxable period of a Company that includes (but does not end on or before) the Closing Date (a "Straddle Period"), the determination of the Taxes of a Company for the portion of the Straddle Period ending on and including, and the portion of the Straddle Period beginning after, the Closing Date shall be determined by assuming that the Straddle Period consisted of two (2) taxable years or periods, one which ended at the close of business on the Closing Date and the other which began at the beginning of the day following the Closing Date, and items of income, gain, deduction, loss or credit, and state and local apportionment factors of a Company and Parent for the Straddle Period, shall be allocated between such two (2) taxable years or periods on a "closing of the books basis" by assuming that the books of each Company and Parent were closed at the close of business on the Closing Date. However, (i) exemptions, allowances or deductions that are calculated on an annual basis, such as the deduction for depreciation, and (ii) periodic Taxes such as real and personal property Taxes shall be apportioned ratably between such periods on a daily basis.

(d) Tax Treatment. All payments under this Section 5.8 shall be treated by the Parties for income Tax purposes as an adjustment to the purchase price paid for the Company Units.

(e) Resolution of Tax Related Issues. Purchaser and Parent agree to consult and attempt to resolve in good faith any disagreement or issue arising (i) as a result of the review of proposed Tax Returns under Section 5.8(a) and (ii) with respect to the calculation and allocation of Taxes under Section 5.8(c). If Purchaser and Parent cannot agree upon the resolution of any such issues that are material within fifteen (15) days, Parent and Purchaser shall refer the matter to the Independent Auditor for resolution; provided, however, that, the Independent Auditor shall not concur with a position proposed by a Party unless such position meets the more likely than not standard (as contemplated in FIN 48 under GAAP). Parent and Purchaser shall each bear 50% of the fees and expenses of the independent auditor and its determination shall be final and binding on both Parent and Purchaser, unless otherwise reversed by a Taxing Authority.

(f) Other Tax Matters. Notwithstanding and in lieu of the procedures set forth in Section 8.4, Purchaser shall promptly notify Parent in writing upon receipt by Purchaser or a Company of written notice of any pending or threatened Tax audit or Tax assessment which may affect the Tax Liabilities of a Company and for which Parent would be liable under this Agreement. Parent (and its designated representatives) shall have the right to participate, at its sole cost and expense, in any Tax matter, including any audit or administrative or judicial proceeding, which involves or results in a material Tax Liability or potential material Tax Liability for which Parent would be liable under this Agreement ("Parent Interested Tax Matter"). Purchaser shall cooperate fully with Parent (and its designated representatives) in the defense or compromise of any such Parent Interested Tax Matter. In no case shall Purchaser or a Company settle or otherwise compromise any such Parent Interested Tax Matter (including the filing of an amended Tax Return) without the prior approval of Parent, which approval will not be unreasonably withheld, conditioned or delayed.

(g) Transfer Taxes. Any sales, use, transfer, real property transfer, recording, documentary, stamp, registration, stock transfer, and other similar transfer Taxes and fees (including any penalties and interest) resulting from the purchase and sale of the Company Units shall be paid equally by Purchaser and Seller. Purchaser shall file all necessary documentation and Tax Returns with respect to such Taxes.

(h) Tax Return Amendments. Unless otherwise required by applicable Law, without Parent's prior written consent (which consent shall not be unreasonably conditioned, withheld or delayed), neither Purchaser nor either Company shall (i) amend or cause or permit the amendment of any Company Tax Return that relates to any Tax period involving Pre-Closing Taxes, (ii) extend or permit the extension or waiver of any statute of limitations applicable to any Company with respect to any Tax period involving Pre-Closing Taxes, or (iii) make or permit the making of a new filing of a Company Tax Return in any state or local jurisdiction with respect to any Tax Period involving Pre-Closing Taxes.

5.9 Records and Documents. The Parties will preserve and keep all books and records that they own immediately after the Closing relating to the business, Assets and Properties, or Licensed Assets and Properties of the Companies for a period of three (3) years following the Closing Date or for such longer period as may be required by applicable Law. After such retention period, a Party will provide at least sixty (60) days prior written notice to the other Party of its intent to dispose of any such books and records, and such other Party will be given the opportunity, at its cost and expense, to remove and retain all or any part of such books and records

as it may select. During such retention period, duly authorized representatives of a Party will, upon

reasonable notice, have reasonable access during normal business hours to examine, inspect and copy such books and records held by the other Party; provided, however, that to the extent that disclosing any such information would reasonably be expected to constitute a waiver of attorney-client, work product or other privilege with respect thereto, the Parties will take all commercially reasonable action to prevent a waiver of any such privilege, including entering into an appropriate joint defense agreement in connection with affording access to such information. The access provided pursuant to this Section 5.9 will be subject to such additional confidentiality provisions as the disclosing Party may reasonably deem necessary.

5.10 Litigation Support. In the event and for so long as either Party is actively contesting or defending against any Action brought by a third party in connection with any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction involving the business or Assets or Properties of a Company, the other Party will reasonably cooperate with the contesting or defending Party and its counsel in the contest or defense, make reasonably available its personnel and provide such access to its non-privileged books and records as may be reasonably requested in connection with the contest or defense, at the sole cost and expense of the contesting or defending Party (unless such contesting or defending Party is entitled to indemnification therefor under Article VIII, in which case the costs and expense will be borne by the Parties in accordance with Article VIII).

5.11 Support Arrangements.

(a) On or prior to the Closing Date (and to the extent necessary after the Closing Date), Purchaser shall use commercially reasonable efforts to (i) obtain releases of Parent and its Affiliates from all obligations under all surety and performance bonds, guarantees and other financial support arrangements (but excluding letters of credit) relating to the Companies that either (A) are set forth in Sections 5.11(a) or 5.11(b) of the Seller Disclosure Schedule or (B) are provided or otherwise become effective after the date of this Agreement and not in contravention of the terms of this Agreement (the "Support Arrangements"). Purchaser shall, with respect to the surety and performance bonds listed in Section 5.11(a) of the Seller Disclosure Schedule, to the extent not replaced on or prior to the Closing Date, (y) deliver to Parent facing or "back-up" surety bonds from a bank or surety company reasonably acceptable to Parent and containing terms and conditions reasonably acceptable to Parent and its bank and/or surety in amounts, form and substance reasonably acceptable to Parent for each such Support Arrangement outstanding on the Closing Date or (z) post cash collateral with the applicable issuer of the security bond in an amount equal to 105% (or such lesser amount in such issuer's sole discretion) of the aggregate amount of the outstanding Support Arrangement.

(b) With respect to the Bahrain Letter of Credit, Parent and its Affiliates shall (i) maintain through the third anniversary of the Closing Date and (ii) be released, and Purchaser and the Companies shall procure such releases, from the Bahrain Letter of Credit no later than the third anniversary of the Closing Date; provided, further, that if a majority of the outstanding equity of U.S. Pipe or all or substantially all of U.S. Pipe's assets are sold, Parent and its Affiliates shall be released, and Purchaser and the Companies shall procure such releases, from the Bahrain Letter of Credit upon the effectiveness of such sale. With respect to the guarantees listed in Section 5.11(b) of the Seller Disclosure Schedule, Parent shall maintain such guarantees through the date which is the earlier of (A) sixty (60) days after the Closing or (B) the date Parent or its Affiliate is released from such guarantee.

(c) Until such time as Parent and its Affiliates are released from all obligations thereunder, Purchaser shall promptly upon notice from Parent reimburse Parent (y) its reasonable out-of-pocket costs associated with the Bahrain Letter of Credit or any Support Arrangements that remain outstanding after the Closing Date and (z) within three (3) Business Days, the amount of any payments made under the Bahrain Letter of Credit or a Support Arrangement. Notwithstanding any other provision of this Agreement, none of Parent, Seller or any of their Affiliates shall be obligated to increase the amount of the Bahrain Letter of Credit or any Support Arrangement.

5.12 Administration of Workers' Compensation Claims.

(a) For all workers' compensation claims of all Employees for losses that (x) occurred after August 15, 2006 but before the Closing Date (whether existing now or made after the Closing Date) (the "Post-2006 WC Claims") and (y) occurred on or before August 15, 2006 (whether existing now or made after the Closing Date) (the "Pre-2006 WC Claims" and collectively with the Post-2006 WC Claims, the "Pre-Closing WC Claims"), Parent shall administer or cause to be administered each such Pre-Closing WC Claim (including through the use of third-party service providers) in the ordinary course of business consistent with its past practices, and including by maintaining any necessary letters of credit, surety bonds and guarantees. Subject to the limitations contained in Section 5.12(b) below, Purchaser agrees to promptly upon notice from Parent reimburse Parent for (i) the reasonable costs of its outstanding letters of credit, surety and performance bonds, guarantees and other financial support arrangements relating to the Companies with respect to the Pre-Closing WC Claims and (ii) the cost (which shall include reasonable third-party processing costs consistent with Parent's past practices) of such Pre-Closing WC Claims upon payment by Parent. Parent will invoice Purchaser for the amount of the Pre-Closing WC Claims paid by Parent, and payment shall be made by Purchaser within

thirty (30) days of each invoice.

(b) Purchaser's reimbursement obligations set forth in Section 5.12(a) above shall cease at such time as (i) in the case of the Post-2006 WC Claims, the amount of Post-2006 WC Claims paid by Purchaser to Seller pursuant to Section 5.12(a)(ii) exceeds Six Million Seven Hundred Thousand Dollars ($6,700,000) and (ii) in the case of the Pre-2006 WC Claims, the amount of Pre-2006 WC Claims paid by Purchaser to Seller pursuant to Section 5.12(a)(ii) exceeds Five Million One Hundred Thousand Dollars ($5,100,000), and Parent shall be solely responsible for such costs thereafter.

5.13 Cooperation with Financing. In order to assist Purchaser with obtaining the financing contemplated by the Debt Commitment or any other financing contemplated by Purchaser for the Closing or immediately following the Closing, Parent and Seller shall cause the Companies to provide such necessary and customary assistance and cooperation as Purchaser may reasonably request, including, without limitation, cooperation in Purchaser's preparation of all documentation for any such financing of Purchaser, Purchaser's preparation of any information memorandum or similar document or presentation, making senior management of the Companies available for a reasonable number of customary presentations and meetings and cooperation with prospective lenders in performing their due diligence, entering into customary agreements and entering into pledge and security documents, other definitive financing documents or other requested certificates or documents; provided, that such cooperation does not unreasonably interfere with the ongoing operations of the Companies. Notwithstanding anything in this Section 5.13 to the contrary, (a) the Companies shall not be required to pay any commitment fee or similar fee or incur any liability with respect to obtaining any financing contemplated by Purchaser prior to the Closing, (b) no officer, director or employee of the Companies shall be required to execute any documents that will be effective prior to the Closing and (c) the Companies shall not be required to issue any information memoranda or similar document or presentation or to indemnify any Person in connection with any such financing of Purchaser. Purchaser shall reimburse the Companies for all reasonable and documented out of pocket costs, fees and expenses incurred in connection with such assistance and cooperation. Without limiting the foregoing, none of Parent, Seller or the Companies shall be liable for any obligation incurred in connection with any such financing of Purchaser, and Purchaser shall indemnify and hold harmless Parent, Seller and the Companies with respect to such financing of Purchaser. Prior to the Closing, the proposed lenders in connection with the marketing of the financing contemplated by the Debt Commitment or any other financing contemplated by Purchaser for the Closing or immediately following the Closing shall be permitted to use the Companies' names and logos in the any information memorandum or similar document or presentation used in connection with Purchaser's obtaining such financing; provided, however, that Purchaser shall be identified as the borrower in any such information memorandum or similar document or presentation.

5.14 Interim Financial Statements. Following the end of each calendar month from the date hereof until the Closing, within thirty (30) days after the end of each month, Seller and Parent shall cause the Companies to provide Purchaser with unaudited monthly financial statements (prepared consistently with past practices and in accordance with the Accounting Principles) and Monthly Report of Operations (such reports to be in the form prepared by the Companies in the ordinary course of business) of the Companies for such preceding month.

5.15 No Negotiation.

(a) From the date of this Agreement until the earlier of the Closing or the termination of this Agreement, Seller and Parent will, and will cause their respective Affiliates and representatives (including the Companies) to, discontinue any negotiations with any Person (other than Purchaser) relating to any transaction involving the Companies, including the sale of the Company Units, any merger or consolidation or the sale of any material portion of the assets of the Companies (other than the sale of assets in the ordinary course of business) (an "Acquisition Transaction"). Until such time, if any, as this Agreement is terminated or the Closing occurs, the Seller and Parent will not, and will cause their respective Affiliates and representatives (including the Companies) not to, (i) solicit, facilitate, initiate or encourage any inquiries or proposals from, or discuss or negotiate with, any Person (other than Purchaser) relating to an Acquisition Transaction, (ii) furnish or cause to be furnished, to any Person, any information concerning the business, operations, properties or assets of the Companies in connection with an Acquisition Transaction or (iii) otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to do or seek any of the foregoing. Seller and Parent agree not to (and to cause the Companies not to) release any third party from the confidentiality and standstill provisions of any agreement to which Seller, Parent or the Companies are a party with respect to any Acquisition Transaction.

(b) Seller and Parent shall notify Purchaser orally and in writing promptly (but in no event later than twenty-four (24) hours) after receipt by any of Seller, Parent, the Companies or any of the representatives thereof of any proposal or offer from any Person other than Purchaser to effect an Acquisition Transaction or any request for non-public information relating to the Companies or for access to the properties, books or records of the Companies by any Person other than Purchaser. Such notice shall indicate the identity of the Person making the proposal or offer, or intending to make a proposal or offer or requesting non-public information or access to the books and records of the Companies, the material terms of any such proposal or offer, or modification or

amendment to such proposal or offer, and include copies of any written proposals or offers or amendments or

supplements thereto. Seller and Parent shall keep Purchaser informed, on a current basis, of any material changes in the status and any material changes or modifications in the material terms of any such proposal, offer, indication or request.

5.16 Non-Competition.

(a) For a period of five (5) years commencing on the Closing Date with respect to subsections (i), (ii) and (iii) below, and for a period of three (3) years commencing on the Closing Date with respect to subsections (iv) and (v) below (the "Restricted Term"), Seller and Parent shall not, and shall not permit any of their Affiliates to, directly or indirectly:

(i) engage in or assist others in engaging in the Restricted Business;

(ii) have an interest in any Person that engages directly or indirectly in the Restricted Business in any capacity, including as a partner, shareholder, member, employee, principal, agent, trustee or consultant;

(iii) intentionally interfere in any material respect with the business relationships (whether formed prior to or after the date of this Agreement) between a Company and customers or suppliers of the Companies;

(iv) hire any of the individuals listed in Section 5.16 of the Seller Disclosure Schedule; or

(v) solicit, induce or otherwise offer employment or engagement as an independent contractor to, or engage in discussions regarding employment with, any person who is or was an employee of or performed similar services for any Company, or assist any third party with respect to any of the foregoing unless such person has been separated from his or her employment or other relationship with the Purchaser and each of its Affiliates (including any Company) for a period of two (2) consecutive years; provided, however, nothing in this Section 5.16(v) shall prevent Seller, Parent or any of their Affiliates from hiring any person (i) pursuant to a general solicitation which is not directed specifically to such person; (ii) whose employment has been terminated by the Companies or Purchaser; or (iii) whose employment has been terminated by that person after one hundred eighty (180) days from the date of such termination of employment.

(b) Notwithstanding the foregoing, Seller, Parent or their Affiliates may (i) own, directly or indirectly, solely as an investment, securities of any Person traded on any national securities exchange if Seller is not a controlling Person of, or a member of a group with controls, such Person, and does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Person and (ii) in connection with the sale of their products or services, alone or with any other Person (including a Competitor), even if such activity has the effect of otherwise violating the terms of this Section 5.16, bid, partner, sell, market, coordinate sales, coordinate marketing efforts or otherwise take any actions whose purpose is the sale of the products or services of Seller, Parent or their Affiliate (including, without limitation, the sale in North America of ductile iron pipe products, including pipe, joints, joint restraint products and fittings manufactured by third parties, or by Purchaser and the Companies).

(c) If Seller or Parent breaches, or threatens to commit a breach of, any of the provisions of this Section 5.16, Purchaser shall have the following rights and remedies, each of which shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to Purchaser under law or in equity:

(i) the right and remedy to have such provision specifically enforced by any court having jurisdiction, it being acknowledged and agreed that any such breach or threatened breach may cause irreparable injury to Purchaser and that money damages may not provide an adequate remedy to Purchaser; and

(ii) the right and remedy to recover from the Seller all monetary damages suffered by Purchaser as the result of any acts or omissions constituting a breach of this Section 5.16.

(d) Nothing in this Agreement shall preclude or otherwise limit the ability of Parent to effect a sale of the shares of Parent, any merger or consolidation of Parent or the sale of any other portion of the assets of Parent to any Person and, in such event, such purchaser of the shares or assets of Parent, or successor of Parent by means of merger or consolidation, shall not be bound by the restrictions set forth in this Section 5.16.

(e) Purchaser may sell, assign or otherwise transfer this covenant not to compete, in whole or in part, to any Person that purchases all or any portion of the Business.

5.17 Bank Accounts. On or prior to the Closing Date, Purchaser and Parent will use commercially reasonable efforts to

ensure that Parent and its Affiliates are released from all obligations under all banking and credit card relationships that either

(a) are set forth in Section 5.17 of the Seller Disclosure Schedule or (b) are provided or otherwise become effective after the date of this Agreement and not in contravention of the terms of this Agreement. If Purchaser is unable to obtain any such release from any such arrangement by the Closing Date, at and after the Closing Date, Purchaser and Parent will continue to use commercially reasonable efforts to ensure that Parent and its Affiliates are released from such arrangements. Purchaser shall indemnify Parent and its Affiliates against all of their respective obligations under any such arrangement from which such beneficiary is not so released on the Closing Date.

5.18 Directors and Officers. For five (5) years after the Closing Date, the Seller shall maintain directors' and officers' liability insurance for those persons who are covered by such Company's directors' and officers' liability insurance policy at the date hereof for events occurring prior to the Closing Date by (a) maintaining each Company's current directors' and officers' liability insurance and/or (b) by purchasing a "tail" policy with respect thereto.

5.19 Right of First Refusal.

(a) If Purchaser determines to pursue a sale, whether for cash, securities or other consideration and whether in a single transaction or a series of related transactions, of all or a majority of the equity interests in the Companies, or such assets of the Companies as comprise all or substantially all of the assets of the Companies, taken as a whole (any such transaction or series of related transactions, a "U.S. Pipe Sale"), prior to effecting any U.S. Pipe Sale, entering into a definitive agreement in respect of same or seeking bids from third parties for a U.S. Pipe Sale, Purchaser shall comply with its obligations set forth in this Section 5.19.

(b) In the event Purchaser determines to pursue a U.S. Pipe Sale, Purchaser shall give written notice (a "Sale Notice") to Parent stating Purchaser's intention to pursue a U.S. Pipe Sale, and the estimated price upon which Purchaser would be willing to sell to Parent, as applicable, the equity interests in the Companies, or assets of the Companies, in each case, as described in the Sale Notice.

(c) For a period of thirty (30) calendar days following receipt of the Sale Notice (the "Exercise Period"), Parent shall have the option, but not the obligation, to purchase the equity interests or assets that are the subject of the Sale Notice, subject to due diligence and execution of definitive documents with respect to the proposed U.S. Pipe Sale. To exercise such option, Parent shall provide a written notice (the "Exercise Notice") to Purchaser. If an Exercise Notice is not received by Purchaser by the end of such thirty (30) calendar-day period, Parent shall be deemed to have waived its rights hereunder with respect to such U.S. Pipe Sale.

(d) In the event Parent delivers an Exercise Notice, then Purchaser and Parent shall negotiate in good faith the terms of the proposed U.S. Pipe Sale, including price and other customary and commercially reasonable representations, warranties and associated indemnities in favor of Parent pursuant to the definitive agreements to be entered into in connection with the U.S. Pipe Sale, for a period of not less than sixty (60) calendar days following Purchaser's receipt of the Exercise Notice from Parent (the "Negotiation Period").

(e) If Parent either does not deliver an Exercise Notice with respect to a Sale Notice prior to expiration of the related Exercise Period or the parties do not execute definitive agreements in respect of a proposed U.S. Pipe Sale prior to expiration of the Negotiation Period with respect to a Sale Notice, then Purchaser shall be free to enter into definitive agreements with a third party with respect to the proposed U.S. Pipe Sale on such terms and conditions as may be determined by Purchaser in its sole discretion. If Purchaser has discontinued all negotiations with all potential purchasers in connection with a U.S. Pipe Sale for a period of not less than six (6) months, then the provisions of this Section 5.19 shall again apply, and Purchaser shall not consummate or propose a U.S. Pipe Sale without again complying with this Section 5.19.

5.20 Restricted Payments. So long as Purchaser or either Company shall have any commitment under Sections 5.11 or 5.12 to Parent or any of its Affiliates, neither Purchaser nor any Company shall, nor shall they permit any Subsidiary to, directly or indirectly, (a) declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so or (b) pay any management, transaction or similar fee to any Affiliate of Purchaser other than management fees and closing fees as set forth in Annex A and such other fees in connection with any future transactions involving Purchaser and/or the Company as are comparable with those set forth in Annex A; provided, however, that if Purchaser or any Company is in default of any payment obligation under Sections 5.11 or 5.12, no such fees shall be paid.

5.21 Environmental.

(a) Mini-Mill Letter of Concurrence. Prior to Closing, Seller and Parent shall cause U.S. Pipe to use their

respective commercially reasonable efforts to complete all work necessary and sufficient to receive a Letter of Concurrence from

the Alabama Department of Environmental Management for the Marvel City Mini Mill facility, located at 2101 18th Street, Bessemer, Alabama ("Mini Mill Property"), for Mini Mill's participation in the Alabama Voluntary Cleanup Program. In the event a Letter of Concurrence does not issue prior to Closing, Seller and Parent shall reimburse U.S. Pipe for all reasonably necessary costs and expenses required to complete all work necessary and sufficient to receive a Letter of Concurrence.

(b) Transfer Acts.

(i) Seller and Parent shall comply with any and all obligations (if any) of the Transfer Acts arising or resulting from the signing of this Agreement and/or the Closing, including but not limited to any required site investigation, cleanup or remediation, or notification, disclosure or consent.

(ii) Seller and Parent shall control the course of conduct of all matters within the scope of their compliance with the Transfer Acts; provided, however that Seller and Parent shall provide Purchaser with at least five (5) Business Days notice to review and comment in advance on any work plans, investigations, and other environmental remediation activities, and shall incorporate all reasonable comments of Purchaser in such final submissions. Seller and Parent will promptly deliver to Purchaser copies of all environmental reports, studies, surveys, test data and reports, assessments, cost estimates, correspondence (either received by or generated on behalf of Seller and Parent) relating to compliance with the Transfer Acts.

(iii) Seller, Parent, and Purchaser will cooperate to minimize costs, and nothing in this Agreement shall require actions beyond those that minimize the costs of any investigation or remediation while achieving the standard of compliance as required by Environmental Laws. Without limiting any other provision of this Section 5.21(b), the Parties agree that reasonable deed or use restrictions and institutional controls may be implemented when such measures are allowed by Environmental Laws and approved for use by the relevant Governmental Entity, and do not unreasonably interfere with the use of any Owned Real Property or Leased Real Property. Purchaser agrees to cooperate to execute and file any documents necessary to implement such deed and use limitations.

(iv) Post-Closing, Purchaser shall allow Seller and Parent and Seller's and Parent's employees, consultants, and agents reasonable access to the Leased Real Property or the Owned Real Property as necessary for Seller and Parent to fulfill their obligations under the Transfer Acts. Seller and Parent shall provide at least two (2) Business Days notice prior to exercising the access granted herein and shall not unreasonably interfere with Purchaser's activities on the Leased Real Property or the Owned Real Property. Seller and Parent shall indemnify and hold harmless Purchaser from and against any costs and expenses (not including indirect, incidental, consequential or special damages) arising out of or resulting from the negligence or willful misconduct of Seller and Parent or Seller's and Parent's employees, consultants, and agents in accessing the Leased Real Property or the Owned Real Property to perform work under the Transfer Acts.

(v) Seller's obligations under this Section 5.21(b) shall terminate upon the fulfillment of Seller's and Parent's obligations, if any, under the Transfer Acts, as documented in writing by the Connecticut Department of Energy and Environmental Protection and the New Jersey Department of Environmental Protection.

(c) Burlington, NJ Permit Transfer. Seller and Parent shall cause the transfer of the Sanitary Landfill Closure/Post-Closure Approval obtained for the Burlington, New Jersey site from U.S. Pipe into Parent and shall comply with any and all obligations imposed by such permit.

5.22 Executive Payments. Parent shall pay or cause the Companies to pay all Executive Payments at or prior to the Closing.

5.23 Release of Intercompany Claims. Effective as of the Closing, Parent, on behalf of itself and its Affiliates, hereby releases each Company from any and all Liabilities arising prior to or existing as of the Closing, provided that such release shall not apply to any obligations under this Agreement or any Ancillary Agreement.

ARTICLE VI
CONDITIONS TO THE TRANSACTION

6.1 Conditions to Obligations of Each Party. The respective obligations of each Party to effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing Date of the following conditions:

(a) all applicable waiting periods, including all extensions thereof, under the HSR Act relating to the Sale shall have expired or been terminated; and

(b) no Governmental Entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which has the effect of making the Sale illegal or otherwise prohibiting consummation of the Sale, substantially on the terms contemplated by this Agreement.

6.2 Additional Conditions to Obligations of Seller and Parent. The obligations of Seller and Parent to consummate and effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions, any of which may be waived, in writing, exclusively by Seller and Parent:

(a) Representations and Warranties. Each representation and warranty of Purchaser contained in this Agreement that is qualified as to materiality shall have been true and correct (i) as of the date of this Agreement and (ii) on and as of the Closing Date with the same force and effect as if made on the Closing Date, without giving effect to any supplement to the Purchaser Disclosure Schedule. Each representation and warranty of Purchaser contained in this Agreement that is not qualified as to materiality shall have been true and correct in all material respects (A) as of the date of this Agreement and (B) on and as of the Closing Date with the same force and effect as if made on the Closing Date, without giving effect to any supplement to the Purchaser Disclosure Schedule.

(b) Agreements and Covenants. Purchaser shall have performed or complied in all material respects with all agreements and covenants required by this Agreement or the Ancillary Agreements to be performed or complied with by it on or prior to the Closing Date. Parent shall have received a certificate with respect to the foregoing conditions in (a) and (b) signed on behalf of Purchaser by an authorized officer of Purchaser ("Purchaser Closing Certificate").

(c) No Litigation. No action, suit or proceeding shall be pending or threatened before any Governmental Entity which is reasonably likely to (i) prevent consummation of the Sale, or (ii) cause the Sale to be rescinded following consummation.

(d) Other Deliveries. Purchaser shall have delivered to Parent (i) copies of resolutions and actions taken by Purchaser's board of directors and/or stockholders, as applicable, in connection with the approval of this Agreement and the transactions contemplated hereunder, and (ii) such other documents or certificates as shall reasonably be required by Parent and its counsel in order to consummate the transactions contemplated hereunder.

(e) Purchaser's Performance. Purchaser shall have delivered to Seller the Purchase Price.

(f) Support Arrangements. Purchaser shall have satisfied its obligations contained in Section 5.11(a).

(g) Patent License Agreement. Purchaser shall have delivered to U.S. Pipe and Parent a duly executed Patent License Agreement, substantially in the form of Exhibit C.

(h) Trademark Assignment Agreement and Trademark Cooperation Agreement. Purchaser shall have delivered to U.S. Pipe and Parent a duly executed Trademark Assignment Agreement and Trademark Cooperation Agreement, substantially in the form of Exhibit E-1 and E-2, respectively.

(i) Employee Leasing Agreement. Purchaser shall have delivered to Parent a duly executed Employee Leasing Agreement, substantially in the form of Exhibit G.

(j) Transition and Shared Services Agreement. Purchaser shall have delivered to Parent a duly executed Transition and Shared Services Agreement, substantially in the form of Exhibit B.

6.3 Additional Conditions to the Obligations of Purchaser. The obligations of Purchaser to consummate and effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions, any of which may be waived, in writing, exclusively by Purchaser:

(a) Representations and Warranties. Each representation and warranty of Seller and Parent contained in this Agreement shall be accurate in all respects (i) as of the date of this Agreement and (ii) on and as of the Closing Date with the same force and effect as if made on the Closing Date, without giving effect to any supplement to the Seller Disclosure Schedule, except for inaccuracies of representations or warranties the circumstances giving rise to which, individually or in the aggregate, do not constitute a Material Adverse Effect (it being understood that, for purposes of determining the accuracy of such representations and warranties, all "Material Adverse Effect" qualifications and other materiality qualifications therein shall be disregarded).

MWPS010177

(b) Agreements and Covenants. Seller and Parent shall have performed or complied in all material respects with all agreements and covenants required by this Agreement or the Ancillary Agreements to be performed or complied with by Seller and Parent at or prior to the Closing Date. Purchaser shall have received a certificate with respect to the foregoing conditions in (a) and (b) signed on behalf of Seller and Parent ("Company Closing Certificate").

(c) No Litigation. No action, suit or proceeding shall be pending or threatened before any Governmental Entity which is reasonably likely to (i) prevent the consummation of the Sale or (ii) cause the Sale to be rescinded following consummation.

(d) Material Adverse Effect. No Material Adverse Effect with respect to the Companies, taken as a whole, shall have occurred since the date of this Agreement and be continuing.

(e) Other Deliveries. Seller and Parent shall have delivered to Purchaser: (i) copies of resolutions and actions taken by Seller's managers and members and of Parent's board of directors in connection with the approval of this Agreement and the transactions contemplated hereunder, and (ii) such other documents and certificates as shall reasonably be required by Purchaser and its counsel in order to consummate the transactions contemplated hereunder.

(f) Certificates. Parent shall have cause to be delivered the certificate of formation of each Company, certified by the Secretary of State of Alabama and Delaware, as applicable, and a certificate of good standing from the State of Alabama and Delaware, as applicable, each dated within ten (10) Business Days prior to the Closing Date and of each other jurisdiction in which a Company and is qualified to do business, each dated within fourteen (14) Business Days prior to the Closing Date.

(g) Resignations. Each Company shall have caused to be delivered resignations effective as of the Closing of each of the managers and officers of each Company in their capacity as such (except to the extent that any such individuals will serve as managers or officers of a Company immediately after the Closing at the sole discretion of Purchaser), executed by such individuals.

(h) FIRTPA Certificate. Seller shall have caused to be delivered a certificate, in form acceptable to Purchaser, duly completed pursuant to Sections 1.897-2(h) and 1.1445-2(c) of the Treasury Regulations, certifying that the Company Units are not United States real property interests, along with written authorization of Purchaser to deliver such form to the Internal Revenue Service on behalf of each Company.

(i) Encumbrances. All Encumbrances (other than Permitted Encumbrances) on the Company Units and Assets and Properties of each Company must have been released at or prior to Closing, including the release and termination of each of the UCC financing statements and guarantees listed in Annex B.

(j) Assignment of Workers' Compensation Claims. The Companies and Parent shall have delivered to Purchaser a duly executed Assignment and Assumption Agreement, substantially in the form of Exhibit D, whereby Parent will assume all obligations and other Liabilities associated with the Pre-Closing WC Claims.

(k) Termination of Related Party Agreements. The Companies and Parent shall have caused to be terminated all related party agreements among Company and Parent or its Affiliates ("Related Party Agreements") listed in Annex C.

(l) Patent License Agreement. U.S. Pipe and Parent shall have delivered to Purchaser a duly executed Patent License Agreement, substantially in the form of Exhibit C.

(m) Trademark Assignment Agreement and Trademark Cooperation Agreement U.S. Pipe and Parent shall have delivered to Purchaser a duly executed Trademark Assignment Agreement and Trademark Cooperation Agreement, substantially in the form of Exhibit E-1 and E-2, respectively.

(n) Transition and Shared Services Agreement. Parent shall have delivered to Purchaser a duly executed Transition and Shared Services Agreement, substantially in the form of Exhibit B.

(o) Employee Leasing Agreement. Parent shall have delivered to Purchaser a duly executed Employee Leasing Agreement, substantially in the form of Exhibit G.

ARTICLE VII
TERMINATION

7.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of Parent and Purchaser;

(b) by either Parent or Purchaser, by written notice to the other Party, if a Governmental Entity shall have issued an Order or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Sale, which Order or other action is final and nonappealable;

(c) by Parent, upon written notice to Purchaser, (x) upon a material breach of any representation, warranty, covenant or agreement on the part of Purchaser set forth in this Agreement, or if any representation or warranty of Purchaser shall have become untrue, in either case such that any condition to Parent's and Seller's closing obligations set forth in Article VI would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue, provided, however, that if such breach by Purchaser is curable by Purchaser prior to the Closing Date, then Parent may not terminate this Agreement under this Section 7.1(c) for ten (10) Business Days after delivery of written notice from Parent to Purchaser of such breach provided Purchaser continues to exercise commercially reasonable efforts to cure such breach, or (y) if the satisfaction of any of the conditions to Parent's closing obligations set forth in Article VI become impossible, and Parent has not waived such condition in writing on or before such date, (it being understood that Parent may not terminate this Agreement pursuant to this Section 7.1(c) if it shall have materially breached this Agreement or if such breach by Purchaser (if curable) is cured during such ten (10) Business Day period);

(d) by Purchaser, upon written notice to Parent, (x) upon a material breach of any representation, warranty, covenant or agreement on the part of Seller or Parent set forth in this Agreement, or if any representation or warranty of Seller or Parent shall have become untrue, in either case such that the any condition to Purchaser's closing obligations set forth in Article VI would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue; provided, however, that if such breach is curable by Seller or Parent prior to the Closing Date, then Purchaser may not terminate this Agreement under this Section 7.1(d) for ten (10) Business Days after delivery of written notice from Purchaser to Parent of such breach, provided Parent continues to exercise commercially reasonable efforts to cure such breach, or (y) if the satisfaction of any of the conditions to Purchaser's closing obligations set forth in Article VI become impossible, and Purchaser has not waived such condition in writing on or before such date (it being understood that Purchaser may not terminate this Agreement pursuant to this Section 7.1(d) if it shall have materially breached this Agreement or if such breach by Seller or Parent (if curable) is cured during such ten (10) Business Day period);

(e) by either Parent or Purchaser if the Closing shall not have occurred on or prior to the date which is sixty (60) days from the date the HSR Filings are made pursuant to Section 5.2(a) (the "Termination Date") and the terminating Party is not in material breach of this Agreement; provided, however, that the right to terminate this Agreement under this Section 7.1(e) shall not be available to a Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before the Termination Date.

7.2 Notice of Termination; Effect. Any termination of this Agreement under Section 7.1 will be effective immediately upon (or, if the termination is pursuant to Section 7.1(c) or Section 7.1(d) and the proviso therein is applicable, ten (10) Business Days after) the delivery of written notice of the terminating Party to the other Parties hereto. In the event of the termination of this Agreement as provided in Section 7.1, this Agreement shall be of no further force or effect and the Sale shall be abandoned, except for and subject to the following: (a) Sections 5.4, 5.7 and 7.2, and Article IX (General Provisions) shall survive the termination of this Agreement and (b) if the Agreement is terminated by either Party pursuant to Section 7.1(c) or Section 7.1(d), then the breaching Party shall indemnify the terminating Party for all Damages incurred by the terminating Party arising out of any breach by the breaching Party of the terms hereof.

ARTICLE VIII
INDEMNIFICATION

8.1 Survival of Representations and Warranties. All representations and warranties contained in Articles III and IV shall survive the Closing, and, except as further provided in this paragraph, neither the Purchaser Claimants nor the Seller Claimants, as applicable, shall have any right to bring any claim in respect of any breach thereof unless the Purchaser Claimants (in the case of any breach of Article III) or the Seller Claimants (in the case of any breach of Article IV) have provided written notice of any such claim on or prior to the date that is eighteen (18) months following the Closing Date (the "General Survival Date"); provided, however, that

(x) the representations and warranties contained in Sections 3.1, 3.2, 3.3, 3.16, 4.1, and 4.2 shall remain in full force

and effect indefinitely, (y) the representations and warranties contained in Sections 3.11 and 3.13 shall survive until that date which is three (3) years from the Closing Date and (z) the representations and warranties contained in Section 3.12 shall survive until sixty (60) days past the expiration of the applicable statute of limitations (including all periods of extension, whether automatic or permissive). All covenants and agreements that by their terms contemplate performance after the Closing Date shall survive the Closing in accordance with their terms until fully performed.

8.2 Indemnification by Parent and Seller. From and after the Closing, Parent and Seller (the "Seller Indemnifying Parties") shall jointly and severally indemnify and hold Purchaser and its respective Affiliates (including the Companies after the Closing) and their respective directors, officers, employees, shareholders, members, partners, agents, successors and assigns (collectively "Purchaser Claimants" and individually a "Purchaser Claimant") harmless against any Damages, whether or not involving a third party claim, that Purchaser Claimants incurred directly or indirectly by reason of or attributable to:

(a) the inaccuracy or breach of any representation or warranty of Seller or Parent contained in Article III of this Agreement to the extent not caused by Purchaser;

(b) any failure by Seller or Parent to perform or comply with any covenant or obligation of Seller or Parent, as applicable, contained in this Agreement to the extent not caused by Purchaser, including but not limited to, any failure to satisfy the terms of the Assignment and Assumption Agreement;

(c) any Pre-Closing Tax;

(d) any brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any Person with a Company, Seller or Parent or any Related Person (or any Person acting on their behalf) in connection with the transactions contemplated hereby;

(e) the retained liabilities set forth on Annex D;

(f) the Restructuring;

(g) any Indebtedness of any other Person, the payment of which any Company is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, either severally or jointly with any other Person, whether contingent or otherwise; and/or

(h) Environmental Liabilities to the extent (i) related to or arising from operations at (including without limitation off-site disposal from), or conditions at, on, under or proximate to any properties, landfills, or facilities retained by the Seller Indemnifying Parties after Closing (including but not limited to the properties, landfills or facilities to be transferred out of the Companies pursuant to the Restructuring, whether or not transferred prior to Closing), or which are not otherwise conveyed to Purchaser pursuant to this Agreement, including but not limited to facilities formerly owned by U.S. Pipe (the "Non-Transferred Properties"); or (ii) any remedial, response, abatement, cleanup, investigative, and monitoring work required by a Governmental Entity (collectively, "Remedial Work") resulting from a Release of Hazardous Materials from any Non-Transferred Properties, including without limitation a Release of Hazardous Materials which is discovered after Closing but which began before Closing. Notwithstanding the preceding, the Seller Indemnifying Parties shall not be liable under this Agreement to the extent (but only to the extent) of that portion of the costs and liabilities of any Environmental Liability or Remedial Work attributable to (y) an affirmative act of any Purchaser Claimant which causes the material aggravation of a then-existing Release of Hazardous Materials or (z) the introduction and initial Release of Hazardous Material by a Person other than either Company or any Seller Indemnifying Party or any Affiliate of any such party, from any Non-Transferred Property(ies) never owned, operated or leased by either Company or any Seller Indemnifying Party or any Affiliate of any such party.

(i) The Seller Indemnifying Parties shall not be required to indemnify a Purchaser Claimant under clause (a) of this Section 8.2 unless (i) the Damages for an individual claim (or series of related claims so substantially related as to effectively constitute one claim) exceeds $50,000 and (ii) the aggregate cumulative sum of all Damages for which indemnity would otherwise be due under clause (a) of this Section 8.2 exceeds $1,000,000 ("Seller Basket") in which case the Seller Indemnifying Parties shall be responsible for the full amount of such Damages, including the Seller Basket. In addition and subject to Section 8.2(j) below, the maximum aggregate liability of the Seller Indemnifying Parties for which indemnification under clause (a) of this Section 8.2 shall equal $10,000,000 (the "Seller Cap"). The limitations set forth in the immediately two preceding sentences shall not apply to claims arising from an inaccuracy or breach of any representations or warranties contained in Sections 3.1, 3.2, 3.3, 3.12 and 3.16 or claims based on fraud. The aggregate liability of the Seller Indemnifying Parties under Section 8.2(a) shall not exceed the Purchase Price.

(j) In addition to and without limiting the obligations of the Seller Indemnifying Parties contained in this Section 8.2 and without any application against the Seller Cap, the Purchaser Claimants shall be permitted to claim pursuant to Section 8.2(a), and the Seller Indemnifying Parties shall indemnify and hold harmless Purchaser Claimants against, any Damages, whether or not involving a third party claim, that Purchaser Claimants incurred directly or indirectly by reason of or attributable to the inaccuracy or breach of any representations or warranties contained in Section 3.11 hereof, up to a maximum additional aggregate liability of $5,000,000 (the "Additional Environmental Cap"). At the time Purchaser makes a claim, Purchaser shall notify (which election shall not be reversible) the Seller Indemnifying Parties in writing as to whether its claim for Damages pursuant to Section 8.2(a) will be applied against the Seller Cap or against the Additional Environmental Cap, or both (in which case identifying the amount applied against each). In the event claims for Damages are made against the Additional Environmental Cap, Purchaser and the Seller Indemnifying Parties shall each be responsible for 50% of the first $1,000,000 of any Damages claimed against the Additional Environmental Cap. For clarity, (i) the Seller Indemnifying Parties maximum liability under the Additional Environmental Cap, after considering the foregoing sharing of Damages up to $1,000,000, shall be $4,500,000, (ii) Purchase Claimants may choose, at their discretion, to make a claim for Damages either against the Seller Cap, the Additional Environmental Cap, or both, (iii) any claims made against the Additional Environmental Cap shall in no way apply against, reduce or limit in any way the Seller Cap and any claims made against the Seller Cap shall in no way apply against, reduce or limit in any way the Additional Environmental Cap and (iv) the limitation contained in Section 8.2(i)(a)(i) shall not apply to claims made against the Additional Environmental Cap.

8.3 Indemnification by Purchaser. From and after the Closing, Purchaser shall indemnify and hold Parent and Seller, their Affiliates and their respective directors, officers, employees, shareholders, members, partners, agents, successors and assigns (collectively "Seller Claimants" and individually a "Seller Claimant") harmless against any Damages, whether or not involving a third party claim, that the Seller Claimants incurred directly or indirectly by reason of or attributable to:

(a) the inaccuracy or breach of any representation or warranty of Purchaser contained in Article IV of this Agreement;

(b) any failure by Purchaser to perform or comply with any covenant or obligation of Purchaser contained in this Agreement; and

(c) any brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any Person with Purchaser (or any Person acting on its behalf) in connection with the transactions contemplated hereby.

(d) Purchaser shall not be required to indemnify a Seller Claimant under clause (a) of this Section 8.3 unless (i) the Damages for an individual claim (or series of related claims so substantially related as to effectively constitute one claim) exceeds $50,000 and (ii) the aggregate cumulative sum of all Damages for which indemnity would otherwise be due under clause (a) of this Section 8.3 exceeds $1,000,000 (the "Purchaser Basket"), in which case Purchaser shall be responsible for the full amount of such Damages, including the Purchaser Basket. In addition, Purchaser's aggregate maximum liability for indemnification under clause (a) of this Section 8.3 shall be $10,000,000. The limitations set forth in the immediately two preceding sentences shall not apply to claims arising from any inaccuracy or breach of the representations or warranties contained in Section 4.2 or claims based on fraud.

8.4 Terms and Conditions of Indemnification. The respective obligations and liabilities of the Seller and Parent, on the one hand, and Purchaser, on the other, to indemnify pursuant to this Article VIII (a "Claim") shall be subject to the following additional terms and conditions:

(a) A Party seeking indemnification (the "Claimant"), shall promptly notify the Party or Parties (the "Indemnitor") required to provide indemnification hereunder of any Claim but in no event later than twenty (20) days after becoming aware of the basis for such Claim; provided, however, that the failure of the Claimant to give the Indemnitor notice within the specified number of days shall not relieve the Indemnitor of any of its obligations hereunder except to the extent such failure actually prejudices such Indemnitor's ability successfully to defend the claim, action, suit or proceeding giving rise to the Claim.

(b) The Indemnitor shall have the right to undertake, by counsel or other representatives of its own choosing reasonably satisfactory to the Claimant, the defense, compromise and settlement of any third party claim ("Third Party Claim"). If the defense of a Third Party Claim is so tendered to the Indemnitor and within twenty (20) days thereafter the Indemnitor accepts such tender by written notice to the Claimant, then upon acceptance of such tender, the Indemnitor shall, unless otherwise expressly agreed in writing by the Claimant, be deemed to have agreed to indemnify the Claimant with respect to such Third Party Claim.

(c) If the Indemnitor elects not to undertake such defense, or within twenty (20) days after notice of any

such Claim from the Claimant shall fail to defend or to reasonably and diligently contest, defend or litigate the Third Party Claim, the Claimant shall have the right to undertake the defense, compromise or settlement of such Claim, by counsel or other representatives of its own choosing, on behalf of and for the account and risk of the Indemnitor.

(d) Notwithstanding anything in this Section 8.4 to the contrary, (i) the Indemnitor shall not, without the Claimant's written consent, settle or compromise any claim or consent to entry of any judgment unless such compromise or settlement includes as an unconditional term thereof the giving by the claiming Party or the plaintiff to the Claimant and its Affiliates of a full and unconditional release from all Liability in respect of such Claim and such compromise or settlement does not otherwise require Claimant or its Affiliates to pay any monetary damages or otherwise restrict Claimant in any material way, and (ii) if the Indemnitor undertakes defense of any Claim, the Claimant by counsel or other representative of its own choosing and at its sole cost and expense, shall have the right to consult with the Indemnitor and its counsel or other representatives concerning such Claim and the Indemnitor and the Claimant and their respective counsel or other representatives shall cooperate and keep Claimant informed with respect to such Claim, subject to the execution and delivery of a mutually satisfactory joint defense agreement provided, that if in the reasonable opinion of counsel for the Claimant, there is a conflict of interest between the Indemnitor and the Claimant (other than the conflict arising from the Indemnitor's obligations to the Claimant under this Article VIII) in connection with a Third Party Claim, such Claimant may engage its own counsel to represent it and all other affected Claimants in the defense of such Third Party Claim, and the Indemnitor shall be responsible for the reasonable fees and expenses of such one (1) counsel for all such affected Claimants in connection with such defense.

(e) Notwithstanding anything contained in this Article VIII to the contrary, an Indemnitor shall not be entitled to assume any defense of a Third Party Claim hereunder if (i) the claim for indemnification is with respect to a criminal proceeding, action, indictment, allegation or investigation, (ii) the Claimant has been advised by counsel that a reasonable likelihood exists of a conflict of interest between the Indemnitor and the Claimant with respect to such Third Party Claim or (iii) if there is a reasonable probability that any Third Party Claim may materially and adversely affect the Claimant other than as a result of money damages or other money payments, including where equitable relief is sought or where the Third Party Claim involves a material customer or material supplier of the Claimant.

(f) For purposes of this Article VIII, the terms "material," "Material Adverse Effect," or similar words, to the extent they appear in any representation, warranty, covenant or other provision of this Agreement, shall be disregarded for purposes of determining (i) whether there has been a breach and (ii) the amount of any Damages. For purposes of indemnification claims pursuant to this Article VIII, in determining (i) whether there has been a breach and (ii) the amount of any Damages, the representations and warranties contained in Section 3.13(d) of this Agreement shall be deemed to have been made without any qualifications as to "knowledge."

(g) With respect to an indemnity notice that is delivered by a Claimant, upon final resolution or acceptance of the amount of Damages subject to such indemnity notice, Parent, Seller and/or Purchaser, as appropriate, shall promptly pay the amount of such Damages to the Claimant.

(h) Any Remedial Work performed in connection with this Agreement which a Purchaser Claimant makes a Claim shall be performed by one or more professionally licensed environmental contractors or consulting engineers mutually acceptable to the Parties, such acceptance not to be unreasonably withheld, and Purchaser and Parent will consult with each other regarding the scope and implementation of any Remedial Work; provided, that this Section 8.4(h) shall not require Purchaser to adopt any proposals presented by Parent.

8.5 Indemnification Payments Constitute Adjustments to Purchase Price. Any indemnification payment hereunder shall constitute an adjustment of the Purchase Price for Tax purposes, and no Party shall take a position inconsistent therewith.

8.6 No Double Recovery. Notwithstanding anything in this Agreement to the contrary, no Person shall be entitled to indemnification under any provision of this Agreement for any amount to the extent such Person or its Affiliates have received a Purchase Price Adjustment pursuant to Section 2.4 or have been indemnified or reimbursed by, or received an offset benefit actually exercised in respect of, any insurance company or other third party (net of any applicable deductibles or similar costs or payments and costs of recovery or collection thereof) or any Tax benefit related thereto. In addition, if at any time following the payment of an indemnification obligation, the Claimant receives insurance proceeds or other third party recoveries (including offset rights exercised or Tax benefits) in respect of the related Damages, the value of any such amount will promptly be repaid by Claimant to the Indemnitor (net of any applicable deductibles or similar costs or payments and costs of recovery or collection thereof and any Taxes imposed thereon). Each Claimant shall (and Parent shall cause each Company after the Closing Date to) use commercially reasonable efforts to pursue all legal rights and remedies available to it, including obtaining insurance proceeds or Tax benefits, in order to mitigate the losses for which indemnification is provided to such Claimant under this Article VIII.

8.7 Exclusivity. Except as otherwise provided in this Agreement, after the Closing, the indemnities set forth in this Article VIII will be the exclusive remedies of the Purchaser Claimants and Seller Claimants for any misrepresentation, breach of warranty or nonfulfillment or failure to be performed of any covenant or agreement contained in this Agreement or an Ancillary Agreement and/or otherwise related to the transactions contemplated by this Agreement for the matters specifically listed in Article VIII as being subject to indemnification, and the Parties will not be entitled to a rescission of this Agreement or to any further indemnification rights, damages or claims of any nature whatsoever in respect thereof, all of which the Parties hereto hereby waive; provided, however, that the limitations herein will not limit or restrict any right to recovery for claims based on fraud. Notwithstanding anything in this Agreement to the contrary, the Seller Indemnifying Parties' maximum aggregate liability to the Purchaser Claimants with respect to Damages incurred as a result of Environmental Liabilities other than with respect to the Non-Transferred Properties shall be $14,500,000; provided, however, that the limitations herein will not limit or restrict any right to recovery for claims based on fraud.

ARTICLE IX
GENERAL PROVISIONS

9.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given or made (a) when delivered personally (by courier service or otherwise), (b) when sent via facsimile (receipt confirmed) or (c) when actually received if sent by other commercial delivery service, to the Parties at the following addresses or facsimile numbers (or at such other address or facsimile numbers for a Party as shall be specified by like notice):

if to Parent or Seller, to:

Mueller Water Products, Inc.
1200 Abernathy Road N.E., Suite 1200
Atlanta GA 30328
Attention: General Counsel
Telephone: (770) 206-4200
Facsimile: (770) 206-4260

with a copy to:

Bryan Cave LLP
1201 West Peachtree Street
Fourteenth Floor
Atlanta, GA 30309
Attention: Todd Wade, Esq.
Telephone: (404) 572-6694
Facsimile: (404) 572-6999

if to the Purchaser to:

USP Holdings Inc.
c/o Wynnchurch Capital, Ltd.
6250 N. River Road
Suite 10-100
Rosemont, IL 60018
Attention: Terry Theodore and Chris O'Brien
Telephone: (847) 604-6100
Facsimile: (847) 604-6118

with a copy to:

Foley & Lardner LLP
500 Woodward Ave, Suite 2700
Detroit, MI 48226
Attention: Thomas B. Spillane and Daljit S. Doogal
Telephone: (313) 234-7100
Facsimile: (313) 234-2800

9.2 Interpretation. When a reference is made in this Agreement to an Exhibit or Schedule, such reference shall be to an Exhibit or Schedule to this Agreement unless otherwise indicated. When a reference is made in this Agreement to Sections or subsections, such reference shall be to a Section or subsection of this Agreement. Unless otherwise indicated the words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation" unless preceded by a negative predicate. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. When reference is made herein to "the business of" an entity, such reference shall be deemed to include the business of all direct and indirect subsidiaries of such entity. The words "herein" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision, and to any certificates delivered pursuant hereto. The headings contained in this Agreement are for reference purposes only and shall not modify define, limit, expand or otherwise affect in any way the meaning or interpretation of this Agreement. The use of any gender herein shall be deemed to be or include the other genders and the use of the singular herein shall be deemed to be or include the plural (and vice versa), wherever appropriate. Reference to the subsidiaries of an entity shall be deemed to include all direct and indirect subsidiaries of such entity.

9.3 Counterparts; Facsimile Signatures. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party, it being understood that all Parties need not sign the same counterpart. Delivery by facsimile to counsel for the other Party of a counterpart executed by a Party shall be deemed to meet the requirements of the previous sentence.

9.4 Entire Agreement; Third Party Beneficiaries. This Agreement, the Ancillary Agreements, and the other documents and instruments and other agreements among the Parties as contemplated by or referred to herein, including the Exhibits and Schedules hereto (a) constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof; and (b) are not intended to and shall not confer upon any other person other than the Parties to this Agreement, the Ancillary Agreements or such other documents, instruments and agreements any legal or equitable rights or remedies hereunder.

9.5 Severability. In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties. The Parties further agree to replace such void or unenforceable provisions of this Agreement with a valid and enforceable provision that will achieve, to the greatest extent possible, the economic, business and other purposes of such void or unenforceable provision.

9.6 Other Remedies; Specific Performance. Any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. The Parties agree that irreparable damage would occur in the event that the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

9.7 Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of Delaware regardless of the law that might otherwise govern under applicable principles of conflicts of law thereof.

9.8 Rules of Construction. The Parties agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

9.9 Assignment. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Parties. Subject to the first sentence of this Section 9.9, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their respective legal representatives, successors and permitted assigns. Notwithstanding the foregoing, Purchaser shall be permitted to transfer and/or assign its rights pursuant to Section 8.2(h) to any transferee of all or substantially all of the assets of either or both Companies or any transferee of all of the ownership interest in either or both Companies, and such future assignees shall also have the right to transfer and/or assign such rights (including the right to transfer and/or assign) to any transferee of all or substantially all of the assets of either or both Companies or any transferee of all of the ownership interest in either or both Companies.

9.10 Amendment. This Agreement may be amended, modified or supplemented by the Parties at any time only by

execution of an instrument in writing signed by the Parties.

9.11 Extension; Waiver. At any time prior to the Closing, any Party may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other Parties, (b) waive any inaccuracies in the representations and warranties made to such Party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions for the benefit of such Party contained herein. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party delivered to the other Party. Delay in exercising any right under this Agreement shall not constitute a waiver of such right. Waiver by any Party of any breach of or failure to comply with any provision of this Agreement by the other Party shall not be construed as, or constitute, a continuing waiver of such provision, or a waiver of any other breach of, or failure to comply with, any other provision of this Agreement.

9.12 Dispute Resolution.

(a) Except as otherwise provided herein, in the event of a dispute hereunder or relating to the transactions contemplated hereby, including under or with respect to any of the agreements and instruments to be executed and delivered pursuant hereto, arbitration will be the sole and exclusive method of resolving the dispute, except that a Party may seek a preliminary injunction, temporary restraining order, or other preliminary judicial relief if, in its judgment, the action is necessary to avoid irreparable damage or harm.

(b) The arbitrator will consist of any Person who is mutually acceptable to the Parties to the dispute. However, if the Parties are unable to agree on a single arbitrator, an arbitration panel of three arbitrators will be selected as provided below. Each Party (Parent and Seller, on the one hand, and Purchaser on the other hand), shall select one arbitrator, within ten (10) days from the date one Party advises the other Party that it cannot agree on a single arbitrator, and the third arbitrator shall be selected by the two chosen by the Parties within ten (10) days of such two arbitrators being chosen. Every arbitrator must be independent (not a party to this Agreement or a lawyer or relative to a Party or an agent, officer, director, employee, shareholder or affiliate of a Party to or a relative of any of those persons) without any economic or financial interest of any kind in the outcome of the arbitration. Each arbitrator's conduct will be governed by the rules of the American Arbitration Association. The arbitration will be conducted in New York, New York, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitrator or arbitration panel will use reasonable efforts to cause the arbitration to be concluded as soon as practicable. The arbitrators shall not be empowered to award punitive damages.

(c) The arbitrator or a majority of the arbitration panel shall render its decision in writing within thirty (30) days after the conclusion of the hearing. The decision of the arbitrator or arbitration panel will be final, binding and conclusive as to all the Parties, absent fraud or manifest error, and the decision of the arbitrator or arbitration panel will not be subject to appeal, review or re-examination, except for willful misconduct by an arbitrator that prejudices the rights of any Party to the arbitration.

(d) The prevailing Party in any dispute shall be entitled to recover from the other Party all of its costs and expenses incurred in connection with the enforcement of its rights hereunder or thereunder, including reasonable attorneys' fees (including those of in house counsel) and costs incurred before and at arbitration, at any other proceeding, at all tribunal levels and whether or not suit or any other proceeding is brought.

9.13 Currency and Payment Obligations. Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein means U.S. dollars and all payments hereunder shall be made in U.S. dollars. If any payment is required to be made or other action (including the giving of notice) is required to be taken pursuant to this Agreement on a day which is not a Business Day, then such payment or action shall be considered to have been made or taken in compliance with this Agreement if made or taken on the next succeeding Business Day.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first written above.

Parent:

MUELLER WATER PRODUCTS, INC.

By: /s/ Gregory E. Hyland
Name: Gregory E. Hyland
Title: Chairman, President and CEO

Seller:

MUELLER GROUP, LLC

By: /s/ Gregory E. Hyland
Name: Gregory E. Hyland
Title: Chairman, President and CEO

Purchaser:

USP HOLDINGS INC.

By: /s/ Christopher P. O'Brien
Name: Christopher P. O'Brien
Title: Vice President

EXHIBIT A
CERTAIN DEFINITIONS

"Accounting Principles" means GAAP as applied in accordance with the accounting methodologies, policies and procedures used by Parent in preparing Parent's financial statements, consistently applied (provided that such methodologies, policies and procedures comply with GAAP).

"Acquisition Transaction" has the meaning set forth in Section 5.15.

"Action or Proceeding" means any claim, action, suit, complaint, litigation, proceeding, investigation, mediation, arbitration or other procedure by or before any Person.

"Additional Environmental Cap" has the meaning set forth in Section 8.2(j).

"Affiliate" means, as applied to any Person, any other Person Directly or Indirectly controlling, controlled by or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, Directly or Indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" has the meaning set forth in the Preamble.

"Americans with Disabilities Act" means Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq.

"Ancillary Agreements" means, collectively, the Confidentiality Agreement and all other agreements to be entered into in connection with the transactions contemplated by this Agreement.

"Assets and Properties" of any Person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise and wherever situated), including the goodwill related thereto, owned and controlled by such Person, which may include (without limitation) accounts and notes receivable, chattel paper, documents owned and controlled by such Person (including those involving Proprietary Information), instruments, Licenses, Contracts, Software, general intangibles, assets, real estate, equipment, inventory, goods and Intellectual Property.

"Bahrain Letter of Credit" means the Irrevocable Standby Letter of Credit No. 3103247, dated February 15, 2011, issued by BNP Paribas Manama in favor of the Bahrain Electricity & Water Authority, further amended by that certain Amendment to a Documentary Credit, dated March 31, 2011.

"Business" means the research and development, design, manufacture, fabrication, production, marketing, distribution, supply and/or sale of ductile iron pipe products (including fabricated pipe, coated pipe and lined pipe products) and fittings, joint restraint products and other ductile iron products for use primarily in drinking water and wastewater infrastructure construction and ancillary activities related to the foregoing.

"Business Days" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City, New York, or Atlanta, Georgia are required or authorized by law to be closed.

"Business Employees" has the meaning set forth in Section 5.6.

"Business Licenses" means all Licenses, (including applications therefore), which are used or held for use either by the Company or Parent in connection with or are necessary for the conduct of the business of either the Company or Parent.

"Cash and Cash Equivalents" means, with respect to the Company and Parent taken as a whole, (i) all cash, demand deposits, short-term, highly liquid investments and other cash equivalents, that are repayable on demand and freely remittable as of the Closing Date into a known amount of cash, less (ii) the aggregate amount of any outstanding checks, drafts or wires as of the Closing Date.

"CERCLA" has the meaning set forth below, under "Environmental Laws."

"Charter Documents" has the meaning set forth in Section 3.4(a).

"Claim" has the meaning set forth in Section 8.4.

"Claimant" has the meaning set forth in Section 8.4(a).

"Closing" has the meaning set forth in Section 2.2.

"Closing Balance Sheet" has the meaning set forth in Section 2.4(c)(i).

"Closing Date" has the meaning set forth in Section 2.2.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Company" and "Companies" each has the meaning set forth in the Recitals.

"Company Closing Certificate" has the meaning set forth in Section 6.3(a).

"Company Employees" has the meaning set forth in Section 5.6.

"Company-Licensed Intellectual Property" means all Intellectual Property that is owned or controlled by someone other than either Company and then licensed to a Company and used or held for use in, or material to the conduct of, the business of such Company.

"Company-Owned Intellectual Property" means any Intellectual Property that is owned and controlled by either Company (or both Companies).

"Company Plans" has the meaning set forth in Section 3.13(a).

"Company-Sponsored Plans" has the meaning set forth in Section 3.13(a).

"Company Transaction Expenses" means all fees and expenses of the Companies (or for which any Company is liable) for legal, accounting, investment banking and other professional counsel in connection with the transactions contemplated hereby.

"Company Units" has the meaning set forth in the Recitals.

"Competitor" means any Person that now or hereafter engages in any aspect of the Business.

"Confidential Information" means information and materials not commonly known by or available to the public that the Companies and Seller treat as confidential but that does not qualify as a Trade Secret and includes information and materials that the Companies and Seller are under a duty to a third party to maintain as confidential or use for limited purposes.

"Confidentiality Agreement" means that Confidentiality Agreement, dated August 17, 2011, by and between Parent and Wynnchurch Capital, Ltd.

"Contract" means any agreement, lease, license, purchase order, evidence of Indebtedness, mortgage, indenture, security agreement or other contract or arrangement (whether written or oral) setting forth a legal obligation or right of a party thereto with respect to the subject matter thereof (including all amendments, supplements thereto, restatements thereof and consents, waivers and notices thereunder which affect the rights and/or obligations of any of the parties thereto).

"Copyrights" has the meaning set forth below, under "Intellectual Property".

"Damages" means and shall include (i) all debts, liabilities and obligations; (ii) all losses, damages, judgments, awards, settlements, costs and expenses (including, without limitation, interest (including prejudgment interest in any litigated matter), and costs of investigation, assessment, removal and remediation of Releases, Hazardous Materials or any other environmental conditions, penalties, court costs and reasonable legal and expert witness fees and expenses); and (iii) all demands, claims, suits, actions, costs of investigation, causes of action, proceedings and assessments, whether or not ultimately determined to be valid; provided, however, that the foregoing shall not be construed to preclude recovery by the Claimant in respect of Damages directly incurred from Claims by third parties.

"Directly or Indirectly" means as an individual, partner, shareholder, member, creditor, director, officer, principal, agent,

Employee, trustee, consultant, advisor or in any other relationship or capacity.

"DOL" means the United States Department of Labor.

"Domain Name" has the meaning set forth below, under "Intellectual Property".

"Employee" means any current or former employee, officer or director of a Company.

"Employment Agreement" has the meaning set forth in Section 3.14(d).

"Encumbrance" means any mortgage, pledge, security interest, lien, charge, hypothecation, security agreement, right of first refusal or other encumbrance, of any kind under any agreement, arrangement, commitment or understanding, whether written or oral, or any conditional sale Contract, title retention Contract or other Contract to give any of the foregoing.

"Environment" means any surface or subsurface physical medium or natural resource, including, air, land, soil, surface waters, ground waters, stream and river sediments.

"Environmental Disclosure Schedule" means, (a) for purposes of Section 6.3(a) and Section 7.1(d) hereof, both Section 3.11(A) and Section 3.11(B) of the Seller Disclosure Schedule and (b) for purposes of Article VIII hereof, only Section 3.11(B) of the Seller Disclosure Schedule. For clarity, when determining for purposes of Article VIII hereof both (i) whether there has been a breach and (ii) the amount of any Damages, "Environmental Disclosure Schedule" shall mean only Section 3.11(B) of the Seller Disclosure Schedule.

"Environmental Laws" means any Law or rule of common law (including, without limitation, nuisance and trespass claims) of any Governmental Entity, relating to human health, occupational safety, any Hazardous Material, natural resources or the environment (including, without limitation, ground, air, water or noise pollution or contamination, and underground or above-ground storage tanks), and shall include, without limitation, the Solid Waste Disposal Act, 42 U.S.C. § 6901 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601 et seq. ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"); the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 300f et seq., and their state equivalents or analogs, and any other state or federal environmental statutes, and all rules, regulations, orders and decrees under any of the foregoing, as any of the foregoing now exist.

"Environmental Liabilities" means any Liabilities, including costs of Remedial Work of any matter (including those related to Third Party Claims) relating to the Environment of whatever kind or nature by any Person, which are incurred as a result of (A) the presence of or Release into the ambient air, surface water, groundwater, land surface or subsurface strata of any Hazardous Materials, (B) the transportation, treatment, storage or disposal of Hazardous Materials, or (C) the violation of any Environmental Laws. Notwithstanding the preceding, however, "Hazardous Material" will not mean or include any such Hazardous Material (y) used, generated, manufactured, stored, disposed of or otherwise handled in normal quantities in the ordinary course of business in compliance with, and so as not to create an Liability for either Company under, all applicable Environmental Laws as in existence on the date of this Agreement or (z) that in their relevant concentrations are demonstrated to be solely attributable to naturally occurring background concentrations in any ambient air, surface water, groundwater, land surface or subsurface strata.

"Environmental Permits" has the meaning set forth in Section 3.11(c).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and the rules and regulations promulgated thereunder.

"ERISA Affiliate" means any entity that is a member of a controlled group with, under common control with, or otherwise required to be aggregated with Parent pursuant to Sections 414(b), (c), (m) or (o) of the Code.

"Estimated Closing Balance Sheet" has the meaning set forth in Section 2.4(a).

"Estimated Closing Statement" has the meaning set forth in Section 24(a).

"Estimated Net Indebtedness" means a good faith estimate of Net Indebtedness as mutually agreed to by Purchaser and

Parent prior to the Closing.

"Estimated Net Working Capital" means a good faith estimate of Net Working Capital as mutually agreed to by Purchaser and Parent prior to the Closing.

"Exchange Act" means Securities Exchange Act of 1934, as amended.

"Executive Payment" means any bonus, change of control payment or other amount (including all withholding and other payroll Taxes payable by the employee or a Company) fully earned by, and due and payable to, any employee by any Company (or Affiliate thereof) or Purchaser (i) at or prior to the Closing or (ii) solely by reason of the consummation of the transactions contemplated by this Agreement (but specifically excluding any double trigger change in control payments where the second trigger is the termination of employment after the Closing Date), including any retention or other amount (including all withholding and other payroll Taxes payable by the employee or a Company) fully earned by, and due and payable to, any employee by any Company or Purchaser under the Special Incentive Award Program for Selected Employees of U.S. Pipe.

"Exercise Notice" has the meaning set forth in Section 5.19(c).

"Exercise Period" has the meaning set forth in Section 5.19(c).

"Fast Fabricators" has the meaning set forth in the Recitals.

"Fabricators LLC Agreement" has the meaning set forth in Section 3.1(b).

"Fabricators Units" has the meaning set forth in Section 3.2(a).

"Financial Statements" has the meaning set forth in Section 3.7(a).

"GAAP" means accounting principles generally accepted in the United States of America as of the date of this Agreement is applied by the Companies.

"General Survival Date" has the meaning set forth in Section 8.1.

"Governmental Entity" means any United States federal, state or local and any foreign governmental, regulatory or administrative authority, agency, commission, legislature, department, bureau, court, tribunal or arbitral body.

"Hazardous Material" means any material or substance, whether solid, liquid or gaseous: (i) which is listed, regulated or defined as a "hazardous substance," "hazardous waste," "hazardous material," "regulated substance," "toxic substance," "contaminant," "pollutant" or "solid waste," or otherwise classified or regulated as hazardous or toxic, in or pursuant to any Environmental Laws, or for which a Person may be subject to Liability under any Environmental Laws; (ii) which is or contains asbestos, lead-based paint, radon, any polychlorinated biphenyl, polybrominated biphenyl ether, urea formaldehyde foam insulation, explosive or radioactive material, motor fuel, or petroleum (including, without limitation, petroleum products, by-products, constituents or other petroleum hydrocarbons), fungi, bacterial or viral matter which reproduces through the release of spores or the splitting of cells or other means, (including without limitation, mold, toxic or mycotoxin spores); or (iii) which causes a contamination or nuisance on, in, at, under, around or affecting any property or a hazard, or threat of the same, to public health, human health or the environment.

"HSR Act" has the meaning set forth in Section 5.2(a).

"Indebtedness" means with respect to the Companies (i) all obligations for borrowed money or with respect to deposits or advances of any kind, (ii) all obligations evidenced by bonds, debentures, debt securities, notes or similar instruments, (iii) all obligations upon which interest is customarily paid, (iv) all obligations for purchase money financing, including obligations under conditional sale or other title retention agreements or issued or assumed in respect of deferred purchase price, relating to assets purchased by a Company, (v) all guarantees of any obligation of the type described in the clauses hereof of any other Person, (vi) all interest rate protection, foreign currency exchange or other interest or exchange rate hedging agreements, (vii) Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise to be secured by) any Encumbrances on property owned or acquired by such Person, (viii) all obligations under leases required to be (or which have been) capitalized in accordance with GAAP, (ix) any distributions, loans or advances payable to any Company's Affiliates or shareholders as of the Closing, (x) accrued interest and premiums on any of the foregoing, (xi) all obligations as an account party in respect of letters of credit and bankers' acceptances, (xii) all Company Transaction Expenses, and (xiii) all unpaid Executive Payments;

provided that "Indebtedness" shall exclude (w) accounts payable incurred in the ordinary course of business, (x) any Liability related to potential product warranty or replacement claims that would not be required by GAAP to be disclosed on a

balance sheet and (y) amounts owed to an Affiliate that will be cancelled as of the Closing and (z) and any other amount to the extent taken into account in calculating Net Working Capital.

"Indemnitor" has the meaning set forth in Section 8.4(a).

"Independent Auditor" has the meaning set forth in Section 2.4(c).

"Insurance Policies" has the meaning set forth in Section 3.15.

"Intellectual Property" means any or all of the following and all rights, arising out of or associated therewith, (a) all patents and patent applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof (collectively, "Patents"); (b) all underlying works of authorship copyrights, copyright registrations and applications therefore ("Copyrights"), (c) all internet uniform resource locators, domain names and social media account names or similar items ("Domain Names"); (d) trade names, logos, slogans, designs, trade dress, common law trademarks, service marks, and any registrations and applications therefor throughout the world (collectively, "Trademarks"); (e) all rights and benefits under any IP Licenses; (f) mask works and mask work registrations, know-how, discoveries, improvements, designs, shop and royalty rights, and rights and benefits under any employee covenants and agreements respecting intellectual property and non-competition; and (g) any similar or equivalent rights to any of the foregoing as recognized by law as an intangible, intellectual property right and interest.

"Inventory" means all inventory of any Company held at all locations (including in transit), including raw materials, packing materials, work-in-progress, finished goods, supplies, parts (including spare parts, service parts or repair parts) and similar items related thereto, used or held for use by any Company (including all such items that are in transit while owned by any Company, whether to or from any Company or a Third Party at any Company's direction) and including any such held by any other Person pursuant to a bailment arrangement or otherwise.

"IRS" means the United Stated Internal Revenue Service.

"IP Licenses" mean all licenses, sublicenses, authorizations and Contracts with respect to any Company-Licensed Intellectual Property that: (i) is incorporated in, is, or forms a part of any product or service of a Company, or (ii) is used by a Company.

"Knowledge" (including any derivation thereof such as "known" or "knowing") means the actual knowledge assuming due inquiry of (i) Christopher P. O'Brien and Terry M. Theodore, in the case of the Knowledge of Purchaser and (ii) Gregory E. Hyland, Paul Ciolino, Brad Overstreet, Bob Waggoner, Paul Pereira and Stacey Barry, in the case of the Knowledge of Seller.

"Law" means any U.S. federal, state, or local, and any foreign, statute, law, ordinance, regulation, rule, code, order, judgment, decree, or other requirement or rule of law, as in effect from time to time, including the Foreign Corrupt Practices Act of 1977.

"Leased Real Property" has the meaning set forth in Section 3.6(b).

"LLC Agreements" has the meaning set forth in Section 3.1(b).

"Liability" and "Liabilities" means with respect to any Person, any Indebtedness, liability, debt or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, matured or unmatured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is, or is required to be, accrued on the financial statements (if any) of such Person.

"License" means any license, permit, certificate of authority, authorization, approval, registration, franchise and similar consent granted or issued by any Governmental Entity.

"Licensed Assets and Properties" of any Person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise and wherever situated), including the goodwill related thereto, leased or licensed by such Person under Contract and used in the operation of the business of such Person, which may include (without limitation) real estate, Software, equipment, documents of another party (including those involving Proprietary Information owned and controlled by a third party), inventory, goods and

Intellectual Property.

"Material Adverse Effect" means any fact, circumstance, event, change, effect or occurrence that, individually or in the aggregate with all other facts, circumstances, events, changes, effects or occurrences, has had or would be reasonably expected to have a material adverse effect on (a) the financial condition, business or results of operations of the Companies, taken as a whole, or (b) the ability of Parent or Seller to consummate the transactions contemplated by this Agreement; provided, however, that none of the following, and no effect arising out of or resulting from the following, shall be deemed to be a Material Adverse Effect and shall not be considered in determining whether there has occurred, or may, would or could occur, a Material Adverse Effect: (i) changes, events, occurrences or conditions generally affecting the economy, political climate or the credit, financial or capital markets in the United States or elsewhere in the world, including changes in interest rates, (ii) changes, events, occurrences or effects arising out of, resulting from or attributable to acts of terrorism, war (whether or not declared), or any escalation or worsening of such acts of terrorism or war (whether or not declared), pandemics, earthquakes, hurricanes, tornados, tsunamis or other natural disaster occurring in the United States or elsewhere in the world, (iii) changes, events, occurrences or effects arising out of, resulting from or attributable to changes or prospective changes in Law, GAAP or other accounting standards, regulations or principles or any changes or prospective changes in the interpretation or enforcement of any of the foregoing, (iv) any general economic factors or conditions affecting the industries or markets in which a Company is involved generally, (v) changes as a result of any action or failure to take action, in each case, consented to or requested by Purchaser, (vi) events attributable to the announcement or performance of this Agreement or the consummation of the transactions contemplated hereby or the pendency of the Sale (including the loss or departure of officers or other employees of a Company, or the termination, reduction (or potential reduction) or any other negative effect (or potential negative effect) on a Company's relationships or agreements with any of its customers, suppliers or other business partners; provided, however, that, any fact, circumstance, event, change or occurrence referred to in clauses (i) through (iv) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or is reasonably expected to occur to the extent (but only to the extent) that such fact, circumstance, event, change or occurrence has had, or would reasonably be expected to have, a materially disproportionate impact on the financial condition, business or results of operations of the Companies, taken as a whole, relative to other participants in the industries in which a Company is involved (in which event the extent of such material adverse change may be taken into account in determining whether a Material Adverse Effect has occurred).

"Material Contract" has the meaning set forth in Section 3.17(b).

"Negotiation Period" has the meaning set forth in Section 5.19(d).

"Net Indebtedness" means the difference between the Companies' (i) Indebtedness and (ii) all Cash and Cash Equivalents.

"Net Indebtedness Target" means Zero Dollars ($0).

"Net Working Capital" means, as of 12:01 a.m. Atlanta, Georgia, time on the Closing Date, the amount equal to the aggregate current assets of the Companies minus the aggregate current liabilities of the Companies, each calculated in accordance with the Accounting Principles; provided, however, that for purposes of this definition (i) current assets shall exclude Cash and Cash Equivalents, accounts, notes or other amounts receivable from Affiliates of the Companies, and current and non-current Tax assets and (ii) current liabilities shall exclude Indebtedness, accounts payable to Affiliates of the Companies, current and non-current Tax Liabilities and current and non-current Liabilities related to workers' compensation.

"Net Working Capital Target" means One Hundred Million Dollars ($100,000,000).

"Non-Transferred Properties" has the meaning set forth in Section 8.2(h).

"Objection Letter" has the meaning set forth in Section 2.4(c)(ii).

"Objection Notice" has the meaning set forth in Section 2.5(b).

"Order" means any writ, judgment, decree, notice, ruling, opinion, stipulation, determination, injunction or similar order or award of any arbitrator, mediator or Governmental Entity (in each such case whether preliminary or final).

"Overpayment" has the meaning set forth in Section 5.8(b).

"Owned Real Property" has the meaning set forth in Section 3.6(b).

"Parent" has the meaning set forth in the Preamble.

"Parent Interested Tax Matter" has the meaning set forth in Section 5.8(f).

"Party" or "Parties" each has the meaning set forth in the Preamble.

"Patents" has the meaning set forth above, under "Intellectual Property."

"Permitted Encumbrance" means, in each case, so long as adequate reserves or accruals have been made in accordance with the Accounting Principles, (i) any Encumbrance for Taxes not yet due or delinquent or for Taxes being contested in good faith by appropriate proceedings and disclosed in the Seller Disclosure Schedule and (ii) any statutory Encumbrance arising in the ordinary course of business by operation of Law with respect to a Liability that is not yet due and payable and does not materially impair the value of the property subject to such Encumbrance or the use of such property in the conduct of the Business.

"Person" means any individual, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization, entity or Governmental Entity.

"Personal Property Leases" means (i) the leases or subleases of tangible personal property described in Section 3.6(b) of the Seller Disclosure Schedule as to which the Company or Parent is the lessor or sublessor, and (ii) the leases of tangible personal property described in Section 3.6(b) of the Seller Disclosure Schedule as to which the Company or Parent is the lessee or sublessee, together with any options to purchase the underlying property.

"Post-2006 WC Claims" has the meaning set forth in Section 5.12(a).

"Pre-Closing Tax" means (i) any Tax of any Company, Parent, or any Affiliate thereof attributable to the period on or before the Closing Date (including any Tax for the portion of any Straddle Period ending on or before the Closing Date as determined in Section 5.8(c)), (ii) any Tax of any other Person arising by reason of a Company being a member of any "affiliated group" (within the meaning of Code § 1504(a)) on or prior to the Closing Date, including pursuant to Treasury Regulations § 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision of state, local or foreign law), and (iii) any Tax of any Person imposed on any Company as a transferee or successor, by contract or pursuant to any law, rule, or regulation, which Taxes relate to an event or transaction occurring before the Closing Date.

"Pre-Closing WC Claims" has the meaning set forth in Section 5.12(a).

"Pre-2006 WC Claims" has the meaning set forth in Section 5.12(a).

"Proprietary Information" means all "Confidential Information" and "Trade Secrets."

"Purchase Price" has the meaning set forth in Section 2.3.

"Purchaser" has the meaning set forth in the Preamble.

"Purchaser Claimant" and "Purchaser Claimants" have the meanings ascribed to them in Section 8.2.

"Purchaser Closing Certificate" has the meaning set forth in Section 6.2(b).

"Real Property" has the meaning set forth in Section 3.6(b).

"Real Property Leases" means (i) the leases and subleases of real property with respect to the Company's or Parent's facilities which are described in Section 3.6(a) of the Seller Disclosure Schedule as to which the Company or Parent is the lessor or sublessor, and (ii) the leases and subleases of real property described in Section 3.6(a) of the Seller Disclosure Schedule as to which the Company or Parent is the lessee or sublessee, together with any options to purchase the underlying property and leasehold improvements thereon, and in each case all other rights, subleases, licenses, permits and profits appurtenant to or related to such leases and subleases.

"Recent Balance Sheet" has the meaning set forth in Section 3.7(a).

"Related Party Agreements" has the meaning set forth in Section 6.3(m).

"Release" means any past or present release, spilling, leaking, pumping, pouring, emitting, emptying, discharging,

depositing, escaping, injecting, leaching, dispersing, seeping, migrating, filtering, dumping, disposing, injecting or other releasing into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater, and surface or

subsurface strata) or into or out of any property, whether intentional or unintentional, including, without limitation, the movement of Hazardous Material on, in, under, above, about, through or into the air, soil, surface water, or groundwater.

"Remedial Work" has the meaning set forth in Section 8.2(h).

"Response Period" has the meaning set forth in Section 2.5(b).

"Restricted Business" means (i) the manufacture in North America (ii) or the manufacture other than in North America if the sale of such manufactured product by or on behalf of Parent or its Affiliates occurs in North America, of ductile iron pipe and joints and fittings that connect ductile iron pipe for the transmission and distribution of potable, reuse, waste and industrial water. Notwithstanding the foregoing, "Restricted Business" shall not include the manufacture or sale of any product categories that Anvil International, LLC or Mueller Co. LLC sell as of the Closing Date, or the manufacture or sale of any grooved piping joints and fittings.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any equity interest of any Person or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such equity interest, or on account of any return of capital to such Person's stockholders, partners or members (or the equivalent of any thereof), or any option, warrant or other right to acquire any such dividend or other distribution or payment. Without limiting the foregoing, "Restricted Payments" with respect to any Person shall also include all payments made by such Person with any proceeds of a dissolution or liquidation of such Person to the extent not otherwise expressly permitted hereunder.

"Restricted Term" has the meaning set forth in Section 5.16(a).

"Restructuring" means the transactions set forth in Section 5.1(b) of the Seller Disclosure Schedule, which shall be undertaken in form and substance reasonably acceptable to Purchaser.

"Sale" has the meaning set forth in Section 2.1.

"Sale Notice" has the meaning set forth in Section 5.19(b).

"SARA" has the meaning set forth above, under "Environmental Laws."

"Schedule of Adjustments" has the meaning set forth in Section 2.4(c)(i).

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1934, as amended.

"Seller" has the meaning set forth in the Preamble.

"Seller Cap" has the meaning set forth in Section 8.2(i).

"Seller Claimant" and "Seller Claimants" have the meanings ascribed to them in Section 8.3.

"Seller Disclosure Schedule" has the meaning set forth in the Preamble to Article III.

"Seller Indemnifying Parties" has the meaning set forth in Section 8.2.

"Seller Group Plans" means, collectively, (i) all "employee benefit plans" (within the meaning of Section 3(3) of ERISA), (ii) all medical, dental, life insurance, equity bonus or other incentive compensation, disability, salary continuation, severance, retention, retirement, pension, deferred compensation, vacation, sick pay or paid time off plans, and (iii) any other plans, agreements, trust funds or arrangements (whether written or unwritten, insured or self-insured) (A) established, maintained, sponsored or contributed to (or with respect to which any obligation to contribute has been undertaken) by Parent or any of its ERISA Affiliates on behalf of any Employee, officer, director, stockholder or other service provider of either Parent or any ERISA Affiliate (whether current, former or retired) or their beneficiaries, or (B) with respect to which either Parent or any of its ERISA Affiliates has or has had any obligation on behalf of any such Employee, officer, director, stockholder or other service provider or beneficiary.

"Software" means all software code, including without limitation, computer programs, operating systems, applications, firmware, and software tools along with documentation related thereto.

"Straddle Period" has the meaning set forth in Section 5.8(c).

"Subsidiary" means, with respect to any Person, any corporation, partnership, limited partnership, limited liability company, limited liability partnership, joint venture or other legal entity, a majority of the stock or other equity interests or voting power of which is owned, Directly or Indirectly, by such Person (either alone or through or together with any other subsidiary of such Person).

"Support Arrangements" has the meaning set forth in Section 5.11(a).

"Tax" means (i) any and all taxes, fees, levies, duties, tariffs, imposts and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Taxing Authority, including, without limitation, taxes or other charges on or with respect to income, built-in gains, excessive net passive income, franchises, windfall or other profits, gross receipts, property, sales, use, unclaimed property, escheatment registration, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation or net worth, taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value-added or gains taxes, license, registration and documentation fees, and customs' duties, tariffs and similar charges; (ii) any Liability for the payment of any amounts of the type described in clause (i) as a result of being a member of an affiliated, combined, consolidated or unitary group for any taxable period; (iii) any Liability for the payment of amounts of the type described in clause (i) or clause (ii) as a result of being a transferee of, or a successor in interest to, any Person or as a result of an express or implied obligation to indemnify any Person; and (iv) in each instance such term shall include any interest, penalties or additions to tax attributable to any such amounts.

"Tax Return" means any return, statement, declaration, report or form (including any estimated tax reports and returns, withholding tax reports and returns and information reports and returns) or other information required to be filed with respect to any Tax.

"Taxing Authority" means any Governmental Entity or taxing authority responsible for the assessment, collection or administration of any Tax.

"Termination Date" has the meaning set forth in Section 7.1(e).

"Third Party Claims" has the meaning set forth in Section 8.2.

"Trademarks" has the meaning set forth above, under "Intellectual Property."

"Trade Secrets" means information and materials related to the business of either Company or Seller that is not commonly known by or available to the public and that: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by property means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts by the Companies and Seller to maintain its secrecy that are reasonable under the circumstances.

"U.S. Pipe" has the meaning set forth in the Recitals.

"U.S. Pipe LLC Agreement" has the meaning set forth in Section 3.1(b).

"U.S. Pipe Sale" has the meaning set forth in Section 5.19(a).

"U.S. Pipe Units" has the meaning set forth in the Preamble.

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re:	Chapter 11 Jointly Administered
HILLSBOROUGH HOLDINGS CORPORATION,	Case No. 89-9715-8P1
BEST INSURORS, INC.,	Case No. 89-9740-8P1
BEST INSURORS OF MISSISSIPPI, INC.,	Case No. 89-9737-8P1
COAST TO COAST ADVERTISING, INC.,	Case No. 89-9727-8P1
COMPUTER HOLDINGS CORPORATION,	Case No. 89-9724-8P1
DIXIE BUILDING SUPPLIES, INC.,	Case No. 89-9741-8P1
HAMER HOLDINGS CORPORATION,	Case No. 89-9735-8P1
HAMER PROPERTIES, INC.,	Case No. 89-9739-8P1
HOMES HOLDINGS CORPORATION,	Case No. 89-9742-8P1
JIM WALTER COMPUTER SERVICES, INC.,	Case No. 89-9723-8P1
JIM WALTER HOMES, INC.,	Case No. 89-9746-8P1
JIM WALTER INSURANCE SERVICES, INC.,	Case No. 89-9731-8P1
JIM WALTER RESOURCES, INC.,	Case No. 89-9738-8P1
JIM WALTER WINDOW COMPONENTS, INC.,	Case No. 89-9716-8P1
JW ALUMINUM COMPANY,	Case No. 89-9718-8P1
JW RESOURCES HOLDINGS CORPORATION,	Case No. 89-9719-8P1
J.W.I. HOLDINGS CORPORATION,	Case No. 89-9721-8P1
J.W. WALTER, INC.,	Case No. 89-9717-8P1
JW WINDOW COMPONENTS, INC.,	Case No. 89-9732-8P1
LAND HOLDINGS CORPORATION,	Case No. 89-9720-8P1
MID-STATE HOMES, INC.,	Case No. 89-9725-8P1
MID-STATE HOLDINGS CORPORATION,	Case No. 89-9726-8P1
RAILROAD HOLDINGS CORPORATION,	Case No. 89-9733-8P1
SLOSS INDUSTRIES CORPORATION,	Case No. 89-9743-8P1
SOUTHERN PRECISION CORPORATION,	Case No. 89-9729-8P1
UNITED LAND CORPORATION,	Case No. 89-9730-8P1
UNITED STATES PIPE AND FOUNDRY COMPANY,	Case No. 89-9744-8P1
U.S. PIPE REALTY, INC.,	Case No. 89-9734-8P1
VESTAL MANUFACTURING COMPANY,	Case No. 89-9728-8P1
WALTER HOME IMPROVEMENT, INC.,	Case No. 89-9722-8P1
WALTER INDUSTRIES, INC.,	Case No. 89-9745-8P1
WALTER LAND COMPANY and	Case No. 89-9736-8P1
JW RESOURCES, INC.,	Case No. 90-11997-8P1

Debtors.

ORDER CONFIRMING AMENDED JOINT PLAN OF REORGANIZATION DATED AS OF DECEMBER 9, 1994, AS MODIFIED

Walter Industries, Inc. (formerly named Hillsborough Holdings Corporation) ("Walter Industries"), debtor and debtor in possession herein, for and on behalf of itself and its affiliated debtors and debtors in possession herein (together with Walter

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Industries, the "Debtors"), the KKR Proponents[1], the Bondholders Committee, Apollo, Lehman Brothers Inc. ("Lehman"), the Creditors Committee and the Ad Hoc Committee of Pre-LBO Bondholders (the "Ad Hoc Committee") (collectively, the "Consensual Plan Proponents"), having jointly filed with this Court under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), the Amended Joint Plan of Reorganization dated as of December 9, 1994 (the "Consensual Plan"), as modified by the Modification dated and filed with this Court on March 1, 1995 (the Consensual Plan, as modified, together with all exhibits thereto, the "Modified Consensual Plan"), which Plan constitutes a modification of the Creditors' Joint Plan of Reorganization dated as of August 1, 1994 (the "Creditors' Plan"); and hearings having been held before this Court on May 19, 1994, June 15, 1994, July 13, 1994 and July 28, 1994 on notice to all creditors, shareholders and other parties in interest to the Chapter 11 Cases to consider (a) the Debtors' Fifth Amended Disclosure Statement dated as of July 25, 1994 (the "Debtors' Disclosure Statement") and (b) the Disclosure Statement for Creditors' Plan dated as of August 1, 1994 (the "Creditors' Disclosure Statement") and predecessor versions thereof; and the Debtors' Disclosure Statement and the Creditors' Disclosure

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[1] All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Modified Consensual Plan (as defined herein) and the exhibits thereto, including, but not limited to, the Second Amended and Restated Veil Piercing Settlement Agreement.

Statement having been approved by order of this Court dated August 2, 1994 (the "August 2 Order"); and pursuant to the August 2 Order, the Court having (a) fixed July 13, 1994 (the "Record Date") as the record date for determining which Holders of Claims against and Interests in the Debtors would be entitled to vote on both the Debtors' Fifth Amended Joint Plan of Reorganization dated as of July 25, 1994 (the "Debtors' Plan") and the Creditors' Plan and September 23, 1994 as the last date to vote on the Debtors' Plan and the Creditors' Plan, (b) scheduled hearings to commence on October 17, 1994 (which commenced that day and continued October 18 and 19, 1994)(the "October 17 Hearing") to consider (i) the contested matter filed by the Debtors asserting, among other things, that unsecured creditors are not entitled to post-petition interest on their Claims, and any response thereto filed by the Bondholders Committee, Apollo, Lehman, the Creditors Committee and the Ad Hoc Committee (collectively, the "Creditor Proponents"), (ii) the Creditor Proponents' application seeking approval of the Amended and Restated Veil Piercing Settlement Agreement dated as of August 1, 1994, and the Debtors' motion to void that Agreement, and (iii) any properly asserted objections or challenges to the ballots cast on the Debtors' Plan and/or the Creditors' Plan, (c) fixed November 10, 1994 as the last date to file objections to confirmation of the Debtors' Plan and/or the Creditors' Plan, and (d) scheduled a status conference respecting the confirmation hearing for November 16, 1994, at which time the Court was to fix

a date for the commencement of the hearing on confirmation of the Debtors' Plan and/or the Creditors' Plan; and a copy of (a) the Debtors' Plan and Debtors' Disclosure Statement, (b) the Creditors' Plan and Creditors' Disclosure Statement and (c) other Court-approved materials having been transmitted to all known Holders of Claims against and Interests in the Debtors as provided in the August 2 Order; and acceptances having been solicited from Holders of Claims against and Interests in the Debtors within the time and in the manner required by the August 2 Order; and ballots, inter alia, indicating the acceptance or rejection of the Debtors' Plan and/or the Creditors' Plan by Holders of Claims against and Interests in the Debtors having been received and tallied by Donlin, Recano & Company, Inc. (the "Ballot Agent"), the Court-authorized balloting agent; and the Ballot Agent having filed with the Court (a) the Declaration of Carole G. Donlin Certifying the Ballots Accepting and Rejecting the Creditors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated as of October 4, 1994, together with the amended schedule (the "Creditors' Plan Voting Certification"), and (b) the Declaration of Carole G. Donlin Certifying the Ballots Accepting and Rejecting the Debtors' Fifth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated as of September 30, 1994; and the Creditors' Plan Voting Certification having certified that (a) Holders of Claims in Classes S-1, S-2, S-6, U-3 (other than Classes U-3A, U-3K, U-3U, U-3Z, U-3DD, U-3EE and U-3FF), U-4, U-5

and U-6 voted to accept the Creditors' Plan and (b) Holders of Claims in Classes U-3A, U-3K, U-3U, U-3Z, U-3DD, U-3EE and U-3FF and Holders of Interests in Class E-1 voted to reject the Creditors' Plan; and the Debtors and the Creditor Proponents having completed the record with respect to testimony on the "going concern" value of the Debtors and the value of the Debtors on a hypothetical chapter 7 liquidation basis at the October 17 Hearing and the Court having heard certain evidence concerning the fairness of the Amended and Restated Veil Piercing Settlement Agreement at that hearing; and representatives of the Debtors, the KKR Proponents, Apollo, Lehman, the Bondholders Committee, the Creditors Committee and the Veil Piercing Claimants having announced to the Court on October 20, 1994 that an agreement in principle had been reached with respect to the terms and conditions of a consensual modification of the Creditors' Plan; and the Consensual Plan Proponents having filed the Amended Joint Plan of Reorganization dated as of November 22, 1994 and the Supplement to Disclosure Statement for Amended Joint Plan of Reorganization dated as of November 22, 1994 (the "November 22 Disclosure Statement Supplement") on November 22, 1994; and by order dated November 22, 1994, the Court having scheduled a hearing for December 15, 1994 (the "December 15 Hearing") to consider the adequacy of the November 22 Disclosure Statement Supplement and any modifications thereto; and the Consensual Plan Proponents having reached a definitive agreement on the terms and conditions of the Consensual Plan; and the Consensual Plan

Proponents having filed the Consensual Plan and the Supplement to Disclosure Statement for Amended Joint Plan of Reorganization dated as of December 9, 1994 (the "Disclosure Statement Supplement") on December 9, 1994; and after hearing all parties in interest wishing to be heard at the December 15 Hearing with respect to: (a) the adequacy of the Disclosure Statement Supplement; (b) the Motion of the Consensual Plan Proponents for an Order (1) Determining Those Holders of Claims and Interests Entitled to Have the Opportunity to Change the Votes They Previously Cast on the Creditors' Plan With Respect to the Consensual Plan, (2) Determining the Amount for which Class U-7 Claims Shall Be Provisionally Allowed for Purposes of Voting on the Consensual Plan and (3) Approving the Form of Ballot to be Used by Class U-7; (c) the Joint Motion of the Consensual Plan Proponents for an Order Setting Bar Date for Class U-7 Claims (Veil Piercing Claimants) and Approving Form of Notice; and (d) the Motion of the Consensual Plan Proponents for an Order (A) Establishing (1) the Date of the Hearing on Confirmation of the Consensual Plan and the Motion for Approval of the Second Amended and Restated Veil Piercing Settlement Agreement (the "VPSA"), and (2) Deadlines Regarding Vote Changes by the Resolicitation Classes and Voting by Class U-7 on, and Additional Election Under and Objections to, the Consensual Plan, (B) Approving Other Procedures Relating to Vote Changes by the Resolicitation Classes and Voting By Class U-7 on the Consensual Plan and the Tabulation of Votes or Vote Changes, and (C) Approving the Transmittal of

Various Materials Respecting the Consensual Plan Confirmation Process; and adequate notice of the December 15 Hearing having been provided; and the Court having entered an order (the "December 15 Order"), inter alia, (a) approving the Disclosure Statement Supplement as containing adequate information in accordance with Section 1125 of the Bankruptcy Code; (b) determining that only Holders of Claims against and/or Interests in the Debtors in any of Classes S-1, S-2, S-6, U-3A, U-3K, U-3U, U-3Z, U-3DD, U-3EE, U-3FF, U-4, U-5, U-6 and E-1 (the "Resolicitation Classes") as of the Record Date who timely voted to accept or reject the Creditors' Plan (the "Resolicitation Holders") would be given an opportunity to change their votes on the Creditors' Plan and to have such changed votes apply to the Consensual Plan; (c) determining that each Resolicitation Holder who failed to complete, execute and return a vote change certificate (the "Resolicitation Ballot") prior to the Resolicitation Deadline, as defined herein, would be deemed to have voted to accept or reject the Consensual Plan in the same manner as such Resolicitation Holder voted on the Creditors' Plan; (d) approving the Class U-4 Exchange Election Form; (e) fixing January 24, 1995 (the "Resolicitation Deadline") as the last date for a Resolicitation Holder who is the record owner of a Claim against or an Interest in any Debtor, to deliver its Resolicitation Ballot and/or Class U-4 Exchange Election Form to the Ballot Agent; (f) fixing January 19, 1995 as the last date for a Resolicitation Holder that is the beneficial owner of a

Claim against or an Interest in any Debtor, but that is not the record owner of such Claim or Interest, to deliver its Resolicitation Ballot and/or Class U-4 Exchange Election Form to the record owner of such Claim or Interest; (g) permitting each Holder of a Class U-7 Claim to vote on the Consensual Plan, and determining that solely for purposes of voting on the Consensual Plan, each Holder of a Class U-7 Claim would have an Allowed Claim in the amount of $1.00 and setting February 22, 1995 as the last date for any Holder of a Class U-7 Claim to submit a Class U-7 Ballot; (h) directing the Ballot Agent to send to each Resolicitation Holder, each Indenture Trustee, the Securities and Exchange Commission (the "SEC") and the Office of the United States Trustee (the "UST"), on or before December 23, 1994, a transmittal package (the "Resolicitation Package") containing (1) the notice of the confirmation hearing date, procedures and deadlines with respect to confirmation of the Consensual Plan, approval of the VPSA and related matters (the "Confirmation Hearing Notice"), (2) a blacklined copy of the Consensual Plan marked to reflect modifications contained therein as compared to the Creditors' Plan, (3) the Disclosure Statement Supplement, (4) one or more Resolicitation Ballots for use by a Resolicitation Holder who is the beneficial owner of a Claim against or Interest in the Debtors, (5) with respect to each qualifying Class U-4 Resolicitation Holder, a Class U-4 Exchange Election Form, and (6) where applicable, a master Resolicitation Ballot and a master Class U-4 Exchange Election Form upon which record holder

nominees would record and tabulate each timely received Resolicitation Ballot and/or Class U-4 Exchange Election Form from each Resolicitation Holder that is not the record owner of a Claim against or Interest in the Debtors; (i) directing the Ballot Agent to send on or before December 23, 1994, a transmittal package (the "Class U-7 Solicitation Package") containing (1) the Confirmation Hearing Notice, (2) the Consensual Plan (including a copy of the VPSA), (3) the Disclosure Statement Supplement, (4) a ballot for voting on the Consensual Plan (the "Class U-7 Ballot"), (5) the notice of the Class U-7 Bar Date, as defined below, and (6) the notice relating to the settlement of the Debtors' objections to both the Veil Piercing Proof of Claim and the Celotex Proof of Claim pursuant to the VPSA to (A) each Veil Piercing Claimant known to have filed a proof of claim against any of the Debtors or Celotex, (B) each Veil Piercing Claimant listed in the schedule of liabilities filed in the Chapter 11 Cases and/or in the Celotex Chapter 11 Case, (C) counsel of record for each Veil Piercing Claimant who commenced a legal action against any of the Debtors or Celotex, (D) each Holder of a Claim against or Interest in Celotex that was listed in the schedule of liabilities filed by Celotex in the Celotex Chapter 11 Case, (E) the law firms of Caplin & Drysdale, Chartered, Baron & Budd, Greitzer and Locks, Ness Motley Loadholt Richardson & Poole, (F) the SEC and (G) the UST; (j) directing the Ballot Agent to send, on or before December 23, 1994, a transmittal package (the "Non-Voting Package") containing (1) the

Confirmation Hearing Notice, (2) the Consensual Plan, (3) the Disclosure Statement Supplement and (4) a notice of non-voter status to (A) all persons and entities, other than Resolicitation Holders or Holders of Class U-7 Claims, that filed proofs of Claim or Interest against any Debtor that were not disallowed or withdrawn on or before the Supplemental Record Date, as defined herein, (B) all persons and entities, other than Resolicitation Holders or Holders of Class U-7 Claims, listed in the Schedules as of the Supplemental Record Date, (C) all other known Holders of Claims against or Interests in the Debtors as of the Supplemental Record Date, (D) any party in interest that filed a request for notice which request was not withdrawn as of the Supplemental Record Date, (E) each of the Indenture Trustees, (F) the SEC and (G) the UST; (k) fixing November 18, 1994 (the "Supplemental Record Date") as the date for determining which Holders of Claims against and Interests in the Debtors are entitled to receive the Non-Voting Package; (l) directing publication of a summary form of the Confirmation Hearing Notice (the "Confirmation Hearing Publication Notice") (1) on or before December 23, 1994 in (i) the national editions of The New York Times, The Wall Street Journal and USA Today and (ii) each of the publications listed in Exhibit J to the December 15 Order, and (2) on or before January 15, 1995 in the national editions of The New York Times, The Wall Street Journal and USA Today; (m) fixing February 22, 1995 as the last date for Holders of Class U-7 Claims to deliver Class U-7 Ballots to the Ballot Agent;

(n) fixing January 24, 1995 with respect to Holders of Claims against and Interests in the Debtors, other than Holders of Class U-7 Claims, and February 22, 1995 with respect to Holders of Class U-7 Claims, as the last date to file objections to confirmation of the Consensual Plan and objections to the Court's approval of the VPSA; and (o) scheduling the hearing to consider confirmation of the Consensual Plan and the hearing to approve the VPSA for March 1, 1995, and providing that the hearing shall continue, if necessary, on March 2 and March 3, 1995 until concluded; and by order dated December 15, 1994, the Court having fixed February 22, 1995 (the "Class U-7 Bar Date") as the last date for a Holder of a Class U-7 Claim to file a proof of claim in the Chapter 11 Cases; and the Celotex Proof of Claim and the Veil Piercing Proof of Claim having been timely filed prior to the Class U-7 Bar Date; and the Ballot Agent having filed affidavits of service with the Court evidencing that the Resolicitation Packages, the Class U-7 Solicitation Packages and the Non-Voting Packages were served in accordance with the provisions of the December 15 Order; and affidavits of publication having been filed with the Court evidencing that the Summary Confirmation Hearing Notice was published in accordance with the provisions of the December 15 Order; and the Consensual Plan Proponents and the putative representative of the class of Veil Piercing Claimants (the "Settlement Class") having filed their joint motion dated December 14, 1994 for an order (a) applying Bankruptcy Rule 7023 to the contested matters relating

to the Veil Piercing Proof of Claim, (b) certifying a class of Veil Piercing Claimants for settlement purposes only, (c) approving the form of "Notice of Pendency of Contested Matter Relating to Class Proof of Claim, Proposed Settlement of Class Proof of Claim, Hearing to Consider Proposed Settlement, Class Certification, Right to be Excluded from, and Right to Appear and Object" (the "Class Settlement Notice") and the Summary Class Settlement Notice for publication, (d) approving procedures concerning the dissemination of the Class Settlement Notice and the publication of the Summary Class Settlement Notice, and (e) scheduling a hearing on March 1, 1995 to determine whether the VPSA should be approved by the Court as fair, reasonable and adequate, and in the best interests of the Settlement Class (the "Class Motion"); and pursuant to an order of the Court dated December 15, 1994 (the "Second December 15 Order"), the Court having granted that portion of the Class Motion which sought interim relief, including the appointment of the class representative of and counsel for the Settlement Class; and due and sufficient notice of the Class Motion having been (a) provided by the mailing of the Class Settlement Notice to (1) all known potential members of the Settlement Class to the extent identified on the schedules of liabilities filed in the Chapter 11 Cases and/or in the Celotex Chapter 11 Case, or having made a demand against the Debtors and/or Celotex in respect of a Settlement Claim, (2) counsel of record for potential members of the Settlement Class in all pending actions against the Debtors

in respect of Settlement Claims and (3) all known creditors of Celotex appearing on its schedules to the extent not included in (a) above and (b) by publication of the Summary Class Settlement Notice in accordance with the provisions of the Second December 15 Order; and the Consensual Plan Proponents and counsel for the Settlement Class having filed the joint motion dated January 10, 1995 for an order approving the VPSA (the "Settlement Motion"); and the Celotex Bankruptcy Court having entered an order on February 13, 1995 authorizing and directing Celotex to render performance under the VPSA subject only to the right of the Legal Representative for Unknown Claimants appointed in the Celotex Chapter 11 Case (the "Legal Representative") to object thereto at a hearing to be held before the Celotex Bankruptcy Court on February 17, 1995; and the Legal Representative having filed no objection to the VPSA but rather having recommended approval of the VPSA to the Celotex Bankruptcy Court at the February 17, 1995 hearing; and all timely filed ballots by Holders of Class U-7 Claims (Veil Piercing Claimants) and all timely Resolicitation Ballots having been received and tallied by the Ballot Agent; and the Ballot Agent having filed with the Court the Declaration of Louis A. Recano Certifying the Ballots Accepting and Rejecting the Amended Joint Plan of Reorganization dated as of December 9, 1994 under Chapter 11 of the Bankruptcy Code dated as of February 24, 1995 (the "Resolicitation and U-7 Ballot Certification"); and the Consensual Plan Proponents and counsel for the Settlement Class having filed a joint motion dated February 27, 1995 for an

order approving the VPSA and the Settlement of the Veil Piercing Proof of Claim pursuant to Bankruptcy Rule 7023(e) (the "Class Settlement Motion"); and timely objections to confirmation of the Consensual Plan having been filed only by (a) the United States on behalf of the United States Environmental Protection Agency (the "EPA Objection"), (b) NationsBank of Texas, N.A., as trustee, (the "NationsBank Objection"), (c) the United States on behalf of the Internal Revenue Service (the "IRS Objection"), (d) J. Randy Craps, Kathy D. Craps, David B. Bookhardt, Maria B. Bookhardt, Brian Carrier and Bonnie L. Carrier (the "Craps Objection"), (e) Kaneb Services, Inc., Kaneb Energy Company, Kaneb Energy Partners, Ltd. and Kaneb Operating Company, Ltd. (the "Kaneb Objection"), (f) Aetna Casualty and Surety Company (the "Aetna Objection"), (g) the County of Anderson et al. (the "Texas Counties' Objection"), (h) the California Department of Toxic Substances Control and California Regional Water Quality Control Board, San Francisco Bay Region (the "DTSC Objection"), (i) Barnett Banks Trust Company, N.A. (the "Barnett Banks Objection") and (j) IBJ Schroder Bank & Trust Company (the "IBJ Schroder Objection") (collectively, the "Confirmation Objections"); and no objection having been filed to the VPSA; and a full evidentiary hearing to consider (1) confirmation of the Modified Consensual Plan, (2) the Confirmation Objections not withdrawn or settled prior to March 1, 1995, (3) the approval and the fairness, reasonableness and adequacy of the VPSA as requested in the Class Settlement Motion, and the Settlement

Motion and (4) other matters relating to confirmation having been held on March 1, 1995 (the "Confirmation Hearing"); and upon the entire record of the Chapter 11 Cases, including, without limitation, the minutes taken before the Court at the October 17 Hearing and the Confirmation Hearing; and after finding that due, sufficient and adequate notice of the Confirmation Hearing, the Class Settlement Motion, the Settlement Motion and the Class Motion have been given to all interested persons and parties in interest; and after due deliberation and good and sufficient cause appearing therefor, and

IT APPEARING AND THE COURT HAVING FOUND AND CONCLUDED, THAT:

a. The Court has exclusive jurisdiction over the Chapter 11 Cases pursuant to 28 U.S.C. §§ 1334(a) and 157(a) and the July 11, 1984 "Order of General Reference" of the United States District Court for the Middle District of Florida (Hodges, C.J.), inter alia, referring all cases under title 11 to the Court.

b. Venue of the Chapter 11 Cases is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

c. The matters considered by the Court at the Confirmation Hearing were "core" proceedings pursuant to 28 U.S.C. § 157(b)(2) over which the Court has jurisdiction to enter final orders.

d. Notice of the following dates was due, sufficient, adequate and appropriate under the circumstances and satisfied the requirements of all applicable laws, including, without limitation, the Bankruptcy Code, the Federal Rules of Civil

Procedure, the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and the Due Process Clause of the United States Constitution: (i) the date of the Confirmation Hearing; (ii) the last date and time to file objections to confirmation of the Consensual Plan; (iii) the last dates and times for receipt of ballots with respect to the Creditors' Plan, and the Class U-7 Ballots and Resolicitation Ballots with respect to the Consensual Plan; (iv) the dates of the hearings on the Class Motion and the last date and time to file objections to the Class Motion and/or opt out of the Settlement Class; and (v) the date of the hearing on the Class Settlement Motion and the last date and time to file objections to the Class Settlement Motion.

e. The Modified Consensual Plan constitutes a modification of the Creditors' Plan pursuant to Section 1127(a) of the Bankruptcy Code.

f. Pursuant to Bankruptcy Rule 1015(b) and an order of the Court, the Chapter 11 Cases are being jointly administered. The Chapter 11 Cases have not been substantively consolidated and the Modified Consensual Plan is not based on a substantive consolidation of the Chapter 11 Cases.

g. The solicitation by the Creditor Proponents of ballots for acceptance or rejection of the Creditors' Plan, the Subordinated Note Claim Election, the Series B & C Senior Note Claim Election and the Other Unsecured Claim Election (collectively, the "Creditors' Plan Ballots") was proposed and conducted in good faith and complied with Sections 1125 and 1126

of the Bankruptcy Code, Bankruptcy Rules 3017 and 3018, the August 2 Order, all other applicable provisions of the Bankruptcy Code and all other applicable laws, rules and regulations.

h. The solicitation by the Consensual Plan Proponents of the Resolicitation Ballots, Class U-7 Ballots and Class U-4 Exchange Elections (collectively, the "Consensual Plan Ballots") was proposed and conducted in good faith and complied with Sections 1125, 1126 and 1127 of the Bankruptcy Code, Bankruptcy Rules 3017, 3018 and 3019, the December 15 Order, all other applicable provisions of the Bankruptcy Code and all other applicable laws, rules and regulations.

i. The procedures by which the Creditors' Plan Ballots and the Consensual Plan Ballots were distributed and tabulated were fair, properly conducted and in accordance with the Bankruptcy Code, the Bankruptcy Rules, the local rules of this Court, the August 2 Order, the December 15 Order, prior orders of this Court and all other applicable laws, rules and regulations.

j. As evidenced by the Creditors' Plan Voting Certification and the Resolicitation and U-7 Ballot Certification:

(1) More than two-thirds in amount and more than one-half in number of Holders of Allowed Claims in Classes S-1, S-2, S-6, U-3 (other than Class U-3K and Class U-3DD), U-4, U-5 and U-6 (comprising all Holders of Claims who voted or were deemed to have voted on the Consensual Plan, other than Class U-7) accepted the Consensual Plan.

(2) More than two-thirds in amount and more than one-half in number of Holders of Allowed

Claims in Class U-7 who voted on the Consensual Plan accepted the Consensual Plan.

(3) More than two-thirds in amount of Holders of Allowed Interests in Class E-1 who voted on the Consensual Plan accepted the Consensual Plan.

(4) Less than two-thirds in amount but more than one-half in number of Holders of Allowed Claims in Class U-3K who voted or were deemed to have voted on the Consensual Plan accepted the Consensual Plan.

(5) Less than two-thirds in amount and less than one-half in number of Holders of Allowed Claims in Class U-3DD who voted or were deemed to have voted on the Consensual Plan accepted the Consensual Plan.

k. Classes S-3, S-4, S-5, S-7, S-8, S-9, S-10, U-1, U-2, U-3K, U-3DD, I-1, I-2 and I-3 are not impaired under the Modified Consensual Plan and therefore such Classes are deemed to have accepted the Modified Consensual Plan pursuant to Section 1126(f) of the Bankruptcy Code.

l. Class SE-1 is not impaired under the Modified Consensual Plan and therefore such Class is deemed to have accepted the Modified Consensual Plan pursuant to Section 1126(f) of the Bankruptcy Code.

m. Class E-2 is deemed to have rejected the Modified Consensual Plan pursuant to Section 1126(g) of the Bankruptcy Code since Holders of Interests in such Class shall receive or retain no property under the Modified Consensual Plan on account of their Allowed Interests.

n. As required by Section 1129(a)(1) of the Bankruptcy Code, the Modified Consensual Plan complies with all applicable provisions of the Bankruptcy Code.

o. As required by Section 1129(a)(2) of the Bankruptcy Code, the Consensual Plan Proponents have complied with all applicable provisions of the Bankruptcy Code.

p. As required by Section 1129(a)(3) of the Bankruptcy Code, the Modified Consensual Plan has been proposed in good faith, for the valid business purpose of resolving substantial obligations of the Debtors and has not been proposed by any means forbidden by law.

q. As required by and in compliance with Sections 1123(a)(1), (2) and (3) of the Bankruptcy Code, the Modified Consensual Plan identifies the Classes of Claims against and Interests in the Debtors that are not impaired under the Modified Consensual Plan, the Classes of Claims against and Interests in the Debtors that are impaired under the Modified Consensual Plan and specifies the treatment of Allowed Claims and Interests in such Classes.

r. Consistent with Section 1123(a)(4) of the Bankruptcy Code, the Modified Consensual Plan provides the same treatment for each Allowed Claim or Interest in a particular Class, except in instances where the Holder of a particular Allowed Claim or Interest has agreed to less favorable treatment of its Allowed Claim or Interest.

s. The classification of Claims against and Interests in the Debtors under the Modified Consensual Plan is reasonable, not unfairly discriminatory and consistent with Section 1122(a) of the Bankruptcy Code in that each Claim against or Interest in the Debtors has been placed in a particular Class only if such Claim against or Interest in the Debtors is substantially similar to the other Claims or Interests in such Class.

t. As required by Section 1123(a)(5) of the Bankruptcy Code, the Modified Consensual Plan provides adequate means for the execution and implementation of the Modified Consensual Plan.

u. No governmental regulatory commission has jurisdiction over rates charged by any of the Debtors.

v. The treatment under the Modified Consensual Plan of Allowed Claims of the type specified in Sections 507(a)(1), 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6), 507(a)(7) and 507(a)(8) of the Bankruptcy Code, if any, complies with the provisions of Section 1129(a)(9) of the Bankruptcy Code.

w. The rate of interest to be paid on account of the Allowed Administrative Claim (the "IRS Administrative Claim"), if any, of the Internal Revenue Service (the "IRS") as provided in Article III, Section 3.2 of the Modified Consensual Plan, is proper under Section 1129(a)(9)(A) of the Bankruptcy Code and applicable law, rules and regulations.

x. The rate of interest to be paid on account of Allowed Federal Income Tax Claims, if any, as provided in Article III, Section 3.3 of the Modified Consensual Plan, constitutes a

s. The classification of Claims against and Interests in the Debtors under the Modified Consensual Plan is reasonable, not unfairly discriminatory and consistent with Section 1122(a) of the Bankruptcy Code in that each Claim against or Interest in the Debtors has been placed in a particular Class only if such Claim against or Interest in the Debtors is substantially similar to the other Claims or Interests in such Class.

t. As required by Section 1123(a)(5) of the Bankruptcy Code, the Modified Consensual Plan provides adequate means for the execution and implementation of the Modified Consensual Plan.

u. No governmental regulatory commission has jurisdiction over rates charged by any of the Debtors.

v. The treatment under the Modified Consensual Plan of Allowed Claims of the type specified in Sections 507(a)(1), 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6), 507(a)(7) and 507(a)(8) of the Bankruptcy Code, if any, complies with the provisions of Section 1129(a)(9) of the Bankruptcy Code.

w. The rate of interest to be paid on account of the Allowed Administrative Claim (the "IRS Administrative Claim"), if any, of the Internal Revenue Service (the "IRS") as provided in Article III, Section 3.2 of the Modified Consensual Plan, is proper under Section 1129(a)(9)(A) of the Bankruptcy Code and applicable law, rules and regulations.

x. The rate of interest to be paid on account of Allowed Federal Income Tax Claims, if any, as provided in Article III, Section 3.3 of the Modified Consensual Plan, constitutes a

commercially reasonable market rate of interest and is proper under Section 1129(a)(9)(C) of the Bankruptcy Code.

y. The primary purpose of the Modified Consensual Plan is not the avoidance of taxes or the avoidance of the application of Section 5 of the Securities Act of 1933, as amended (15 U.S.C. § 77e).

z. As required by Section 1129(a)(4) of the Bankruptcy Code, any payments made or to be made by the Debtors for professional services or for costs and expenses in connection with the Modified Consensual Plan or incident to the Chapter 11 Cases, have been disclosed to and approved by this Court, and any such payments made before confirmation were reasonable, and any payments for professional services rendered or for costs and expenses incurred prior to the date of this Order but which are to be fixed after confirmation of the Modified Consensual Plan will be subject to the approval of this Court as reasonable.

aa. As required by Section 1129(a)(5) of the Bankruptcy Code, the Consensual Plan Proponents have disclosed the identity and affiliations of the individuals who are proposed to serve, after confirmation of the Modified Consensual Plan, as directors and officers of the reorganized Debtors and their affiliates; the continuance in or appointment of such individuals to such offices is consistent with the interests of the Holders of Claims against and Interests in the Debtors and with public policy; and each of the Consensual Plan Proponents has disclosed the identity of any insider respecting it and presently known to it who will be

employed or retained by the reorganized Debtors and the nature of any compensation to be paid to such insider.

bb. The reconstitution of the board of directors of Walter Industries, including the initial three-year term of such directors set forth in Article V, Section 5.2 of the Modified Consensual Plan is necessary to provide adequate means for the implementation of the Modified Consensual Plan and is consistent with the interests of the Holders of Claims against and Interests in the Debtors and with public policy.

cc. The procedure for the selection of the two (2) Independent Directors of the board of directors of Walter Industries set forth in Article V, Section 5.2 of the Modified Consensual Plan is consistent with the interests of the Holders of Claims against and Interests in the Debtors and with public policy.

dd. Based on the record of the October 17 Hearing, which is incorporated into the record of the Confirmation Hearing, on a consolidated basis the Debtors would be insolvent on a hypothetical chapter 7 liquidation basis and therefore Holders of Unsecured Claims and Subordinated Note Claims would receive less than the Allowed Amount of their Claims if the Chapter 11 Cases were to be converted to cases under chapter 7 of the Bankruptcy Code.

ee. As required by Section 1129(a)(7) of the Bankruptcy Code, each Holder of a Claim or Interest in an impaired Class has accepted the Modified Consensual Plan or will receive or retain

under the Modified Consensual Plan on account of such Claim or Interest property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

ff. With respect to Class E-2, the Modified Consensual Plan does not discriminate unfairly against and is fair and equitable with respect to Class E-2 Interests and satisfies the requirements of Section 1129(b) of the Bankruptcy Code in that Holders of Interests, if any, junior or equal to Class E-2 Interests will not receive or retain any property under the Modified Consensual Plan on account of such Interests.

gg. As required by the Bankruptcy Code, Holders of Class U-7 Claims received full and adequate disclosure in connection with voting on the Modified Consensual Plan and consideration of the Class Settlement Motion, Class Motion, Settlement Motion and the VPSA.

hh. No putative member of the Settlement Class has "opted out" of the Settlement Class.

ii. As required by Section 1129(a)(10) of the Bankruptcy Code, with respect to each of the Debtors for which there is at least one Class of impaired Claims, at least one Class of Claims that is impaired under the Modified Consensual Plan has accepted the Modified Consensual Plan, determined without including any acceptance of the Modified Consensual Plan by any insider.

jj. Each Class of Claims against Home Improvement is unimpaired under the Modified Consensual Plan and therefore is deemed to have accepted the Modified Consensual Plan.

kk. To the extent required by the provisions of Section 1123(a)(6) of the Bankruptcy Code, Article IV, Section 4.3 of the Modified Consensual Plan provides for the certificates of incorporation of each of the Debtors to be amended on or prior to the Effective Date to prohibit the issuance by each Debtor of nonvoting capital stock.

ll. Section 1123(a) of the Bankruptcy Code requires a plan, "notwithstanding any otherwise applicable nonbankruptcy law", to "provide adequate means for the plan's implementation," including, but not limited to, "amendment of the debtor's charter." Section 1123(b) of the Bankruptcy Code permits a plan to "include any other appropriate provision not inconsistent with the applicable provisions of this title."

mm. The provisions of the Charter, the By-Laws and the Modified Consensual Plan with respect to the manner of selection of any director of the Debtors and of any successor to such director after the Effective Date (the "Corporate Governance Arrangements") were the product of good faith intense negotiations among the KKR Parties, the Bondholders Committee, the Creditors Committee, Lehman, Apollo, and the current officers and directors of the Debtors. The Corporate Governance Arrangements were essential components of the agreement in principle which ended the litigation among those parties and

formed a basis of the Modified Consensual Plan. Absent agreement on these Corporate Governance Arrangements, there would not have been the Modified Consensual Plan. Consistent with the foregoing, the revised Charter and By-Laws of Walter Industries are necessary to provide adequate means for the implementation of the Modified Consensual Plan, including the implementation of Article III, Section 3.22 of the Modified Consensual Plan and the VPSA.

nn. The Corporate Governance Arrangements are essential components of the Modified Consensual Plan and are "consistent with the interests of creditors and equity security holders and with public policy with respect to the manner of the selection of any officer, director or trustee under the plan and any successor to such officer, director or trustee" within the meaning of Section 1123(a)(7) of the Bankruptcy Code.

oo. The Modified Consensual Plan is feasible. Based on the record established at the Confirmation Hearing, the Debtors have demonstrated their ability to meet their financial obligations under the Modified Consensual Plan and continue their businesses in the ordinary course. As required by Section 1129(a)(11) of the Bankruptcy Code, confirmation of the Modified Consensual Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors.

pp. Predicated upon, inter alia, the Court's finding that the Debtors have demonstrated their ability to meet their financial obligations under the Modified Consensual Plan, the

Court finds no basis in the record to require the Debtors to establish pursuant to Article IV, Section 4.11 of the Modified Consensual Plan any Cash reserves on account of any Disputed Claims.

qq. As required by Section 1129(a)(12) of the Bankruptcy Code, all fees payable under 28 U.S.C. § 1930, as determined by the Court at the Confirmation Hearing, have been paid or the Modified Consensual Plan provides for all such fees to be paid on the Effective Date.

rr. Neither the filing of the Modified Consensual Plan by the Consensual Plan Proponents nor any other action by any of the Consensual Plan Proponents constitued or constitutes a breach of the Pre-LBO Bondholders Settlement Agreement, which has expired by its terms.

ss. The Pre-LBO condition has not occurred.

tt. All conditions precedent to confirmation of the Modified Consensual Plan, including those set forth in Article X, Section 10.1 of the Modified Consensual Plan, have been satisfied, are satisfied by entry of this Order or have been duly waived.

uu. As required by Section 1129(a)(13) of the Bankruptcy Code, the Modified Consensual Plan provides for the assumption of all retirement and supplemental retirement benefit contracts and therefore provides for the continuation after the Effective Date of payment of all Retiree Benefits (as defined in Section 1114(a) of the Bankruptcy Code) at the level established pursuant to such

retirement and supplemental retirement benefit contracts for the duration of the period any of the Debtors has obligated itself to provide such benefits.

vv. The record established at the Confirmation Hearing demonstrates that the Debtors will be able to satisfy each and every condition precedent to the Effective Date of the Modified Consensual Plan set forth in Article X, Section 10.2 of the Modified Consensual Plan.

ww. The Modification of the Consensual Plan dated March 1, 1995 does not adversely change the treatment of the Claim of any creditor or the Interest of any equity security Holder who has not accepted or who is deemed not to have accepted such Modification, and meets the requirements of, inter alia, Sections 1122, 1123, 1125, and 1127 of the Bankruptcy Code.

xx. The offer and sale under the Modified Consensual Plan of the New Senior Notes and the New Common Stock are exempt from the Securities Laws by virtue of Section 1145(a)(1) of the Bankruptcy Code because each New Senior Note and each share of New Common Stock is "a security of the debtor" and is issued wholly "in exchange for a claim against [or] an interest in . . . the debtor."

yy. In view of the fact that Section 1145(c) of the Bankruptcy Code provides that an offer or sale of securities pursuant to Section 1145 of the Bankruptcy Code is deemed to be a public offering, the New Senior Notes and New Common Stock will not be deemed to be "restricted securities," and all resales of

these securities will be exempt from the registration requirements of the Securities Act, except for certain transactions by "underwriters" under Section 1145(b) of the Bankruptcy Code.

zz. The Debtors initiated Adversary Proceeding No. 90-0003 and Adversary Proceeding No. 90-0004 (collectively, the "Adversary Proceedings") seeking (i) a final declaration and adjudication that the corporate veil between JWC and Celotex may not be pierced; (ii) a final declaration and adjudication that the leveraged buy-out of JWC (the "LBO") was not a fraudulent conveyance, nor were any subsequent transactions entered into as a part of the LBO fraudulent transfers; (iii) a final declaration and adjudication that neither the Debtors nor any of their subsidiaries or Affiliates is the successor-in-interest to the asbestos-related liabilities of either JWC or Celotex; (iv) a final declaration and adjudication that neither the Debtors nor any of their subsidiaries or Affiliates is liable for the asbestos-related liabilities of either JWC or Celotex; and (v) such injunctive relief as may be necessary and appropriate to effectuate the declaratory relief sought by the Debtors.

aaa. In the Adversary Proceedings, the AVDs opposed the relief sought by the Debtors, and certain of the Veil Piercing Claimants asserted Settlement Claims against the Debtors, JWC and various other Released Parties in various forums.

bbb. The Debtors and Celotex assert that Celotex has the exclusive right and standing to assert the Settlement Claims

against the Debtors and JWC for the benefit of Celotex' estate and its creditors because such Settlement Claims are asserted by Celotex to be property of its bankruptcy estate and bankruptcy policy is furthered by ensuring that all similarly situated creditors are treated fairly. The Veil Piercing Claimants' Representatives assert that each of the Veil Piercing Claimants has the right and standing to assert his/her/its Veil Piercing Claim and/or claims based upon LBO-Related Issues against the Debtors and JWC for his/her/its own benefit.

ccc. A trial on certain of the issues raised in the Adversary Proceedings took place before the Court from December 13, 1993 through December 17, 1993 (the "Adversary Proceedings Trial"). On April 18, 1994, this Court issued its order which ruled in favor of the Debtors on certain of the issues that were the subject of the Adversary Proceedings Trial (the "April 18 Order"). On October 13, 1994, the District Court issued an order affirming this Court's April 18 Order. The Veil Piercing Claimants' Representatives have timely filed an appeal from the District Court's order, which has been stayed by agreement between them and the Debtors.

ddd. In determining whether to approve the VPSA under Bankruptcy Rule 9019, the Court is required to consider the following factors: the probability of success or failure on the merits; the difficulties, if any, to be encountered in the matter of collection; the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attendant thereto;

and the paramount interest of the creditors and a proper deference to their reasonable views. In re Justice Oaks II, Ltd., 898 F.2d 1544 (11th Cir.), cert. denied, 489 U.S. 959 (1990). The Court should also consider whether the VPSA is in the best interests of, and is fair and equitable to, the creditors and shareholders of the Debtors.

eee. In determining that the VPSA is fair, equitable and reasonable, the Court, with the support of each of the Parties to the VPSA, considered, inter alia, the record of the Adversary Proceedings, the Adversary Proceedings Trial, the October 17 Hearing and the Chapter 11 Cases.

fff. The Debtors' probability of success with respect to the Settlement Claims is substantial. In its April 18 Order, this Court basically held that the Settlement Claims were untenable. On appeal, the District Court affirmed the April 18 Order. The exhaustive evidence which was presented in the Adversary Proceedings and during the Adversary Proceedings Trial demonstrates that the Settlement Claims were not likely to be successful.

ggg. The difficulty in collecting any judgment against the Debtors would depend on the size of the judgment. While a modest judgment may be collectible in full, a large judgment (e.g., $1 billion) probably would not.

hhh. The complexity and expense of further litigation is not likely to be significant, unless the AVDs were to convince the United States Court of Appeals for the Eleventh Circuit or

the United States Supreme Court to vacate this Court's April 18 Order or prior orders relating to jury trial issues, in which case the complexity and expense would be substantial. However, in any event, the delay of the Chapter 11 Cases that could occur if further litigation ensued would be substantial. It would be very likely that the Debtors would not emerge from bankruptcy for several years. In addition, if Veil Piercing Claimants who were not named in the Adversary Proceedings were to contend that they are not bound by its results, and were to initiate new litigations, it would necessarily be several years before final resolutions could be obtained. The legal fees and expenses incurred in preparing for such litigations would be extremely high. As importantly, any further litigation would significantly consume the time of the Debtors' officers which otherwise would be devoted to the normal business operations of the Debtors. No one can guarantee the Debtors' success in every one of such litigations.

iii. Notwithstanding the Debtors' probability of success on the merits, the Debtors have sound business reasons for eliminating the threat of future litigations. The Court believes it prudent to approve the VPSA, the Class Motion, the Class Settlement Motion and the Settlement Motion so as to avoid the crippling effect that continuance of the litigations of Settlement Claims would likely have on the Debtors' businesses.

jjj. The paramount interest of Holders of Claims against the Debtors in approving the VPSA is reflected in their

overwhelming acceptance of the Consensual Plan. The Official Committees and the Bondholder Proponents have stated that it is not likely that the Veil Piercing Claimants have any valid Settlement Claims against any or all of the Debtors, any or all of the Signing Management (in their respective capacities as present or former officers, directors, employees or shareholders of any or all of the Debtors) or any or all of the Holders of Old Common Stock Interests. The Official Committees, the Bondholder Proponents and the Ad Hoc Committee have contended that Holders of unsecured Claims are entitled to receive post-petition interest on their pre-Filing Date Allowed Claims (and that it is permissible for a chapter 11 plan of reorganization for the Debtors to provide for the payment of such post-petition interest), in the amount of approximately $160 million per year, for over five (5) years to date, aggregating in excess of $800 million, prior to any distribution to Holders of Old Common Stock Interests. As a result of the Modifed Consensual Plan and the VPSA, the Holders of Unsecured Claims will receive substantially less in value than they contend they would be entitled to receive if all Settlement Claims were finally disallowed. The Creditor Proponents have further contended that Holders of Claims would be materially prejudiced by potentially years of delay resulting from an attempt to achieve Finality respecting all Settlement Claims through litigations and would bear much of the risk of an adverse result in such litigations. That the Holders of Claims against the Debtors have nearly unanimously accepted the

Consensual Plan, including the VPSA contained therein, evidences their informed decision that their best interests lie in approval of the VPSA and the Settlement Motion.

kkk. The Debtors, the KKR Entities and the Signing Management have contended that the Veil-Piercing Claimants have no valid Settlement Claims against any or all of the Debtors, any or all of the Signing Management (in their respective capacities as present or former officers, directors, employees or shareholders of any or all of the Debtors), or any or all of the Holders of Old Common Stock Interests. They also have contended that Holders of unsecured claims are not legally entitled to post-petition interest in the Chapter 11 Cases. As a result of the payment of the Settlement Fund and if the contentions of the Debtors, the KKR Entities and the Signing Management are valid, all of the Holders of Old Common Stock Interests, including, without limitation, the KKR Entities and the Signing Management, will receive substantially less in value than they have contended they would be entitled to receive if all Settlement Claims were finally disallowed. That the Holders of Old Common Stock Interests have unanimously accepted the Consensual Plan and the vast majority of Holders of Old Common Stock Interests have executed the VPSA demonstrates their informed decision that the best interests of Holders of Old Common Stock Interests also lie in approval of the VPSA and the Settlement Motion.

lll. The allocation of value under the Modified Consensual Plan and the VPSA among the Celotex Settlement Fund Recipient,

the Holders of Old Common Stock Interests and the Debtors' unsecured creditors is thus a result of the arms-length, arduous negotiations and the good faith compromise of, inter alia, the foregoing competing claims by the parties to the VPSA. The resolution of the Settlement Claims is the critical issue in the Chapter 11 Cases and no plan of reorganization for the Debtors could be confirmed without a final and effective resolution of the Settlement Claims.

mmm. All of the Parties to the VPSA have sought to achieve Finality, that is, to ensure that there is no lawful basis on which any person or entity could, in the future, assert any or all of the Settlement Claims against any or all of the Debtors or any or all of the other Released Parties. This expectation of Finality is critical to their willingness to enter into the VPSA and the nearly unanimous support of the Consensual Plan and the VPSA by the parties in interest. Further, the expectation of Finality as to the Debtors and the Released Parties is also critical to the willingness of the various banks and other institutions that are providing new extensions of credit to the Debtors on the Effective Date to provide such credit. Achievement and preservation of Finality, including by this Court's continuing jurisdiction to enforce the Modified Consensual Plan and this Order, is therefore, of central importance to the Chapter 11 Cases.

nnn. For, inter alia, all of the foregoing reasons, each of the Released Parties has provided valid and sufficient

consideration for the receipt of the releases contained in, and the dismissals contemplated by, Article VI, Sections 6.1, 6.2 and 6.3 of the Modified Consensual Plan, the separate releases provided for under the VPSA, the releases provided by this Order, the injunction contained in Article XII, Section 12.3 of the Modified Consensual Plan, the injunction provided in this Order and, in the case of those Persons for whom indemnification will be provided by the Debtors after the Effective Date as contemplated by Article VI, Section 6.4 of the Modified Consensual Plan, for the benefit of such indemnified parties by the Debtors, and each such provision is critical to the Modified Consensual Plan.

ooo. The VPSA is inextricably intertwined with the Modified Consensual Plan, of which it is an integral and essential component.

ppp. The Veil Piercing Settlement is in the best interests of the Debtors' estates and is fair and equitable to all parties in interest.

qqq. On December 15, 1994, as part of its initial consideration of the Class Motion, this Court conditionally certified, for settlement purposes only, the Settlement Class comprising all Holders (present and future) of Settlement Claims (i.e. all Veil Piercing Claims and all claims and causes of action held or assertable by the Veil Piercing Claimants based on LBO-Related Issues) for the purpose of implementing the VPSA. The Settlement Class includes, among others:

(i) all present asbestos-related personal injury claimants of Celotex;

(ii) all future asbestos-related personal injury claimants of Celotex;

(iii) all asbestos-related property damage claimants of Celotex; and

(iv) all trade creditors of Celotex.

rrr. Certification of the Settlement Class is appropriate here for each of the reasons set forth in Rule 23(b) of the Federal Rules of Civil Procedure, made applicable hereto pursuant to Bankruptcy Rules 9014 and 7023. The Settlement Class members share common questions of both law and fact -- i.e. whether the Debtors may be held liable for their Settlement Claims. These questions predominate over questions affecting only individual members. Fed. R. Civ. P. 23(b). Moreover, a class action for settlement purposes in the instant case is superior to any other available method of adjudication. It ensures that every Veil Piercing Claimant that does not properly opt out of the Settlement Class will obtain the benefits of the VPSA. It protects the Debtors from having to litigate duplicative Settlement Claims in the future. It helps to ensure Finality on the issues litigated before this Court in the Adversary Proceedings and in the Debtors' objection to the Veil Piercing Proof of Claim. Finally, the VPSA is a linchpin of the Modified Consensual Plan.

555. The Court finds that each of the prerequisites for class certification is met:

(i) The Settlement Class is so numerous that joinder is impracticable. Indeed, the Settlement Class comprises tens of thousands of members. It also includes countless future claimants who cannot presently be identified, much less joined. Fed. R. Civ. P. 23(a)(1).

(ii) As noted, supra, the members of the Settlement Class share common questions of law and fact. Fed. R. Civ. P. 23(a)(2).

(iii) The Settlement Class representative, Amos Franklin Gunnel, possesses Settlement Claims that are typical of those shared by other Settlement Class members. Fed. R. Civ. P. 23(a)(3). Mr. Gunnel is a Celotex creditor who alleges that he was diagnosed with asbestos-related lung cancer in 1993. All other Settlement Class members are Celotex creditors.

(iv) The Settlement Class representative will fairly and adequately protect the interests of the Settlement Class. Under the VPSA, all members of the Settlement Class are equally and uniformly treated. Specifically, the VPSA provides for the creation of a single Settlement Fund to be distributed by the Debtors to the Celotex Settlement Fund Recipient under the jurisdiction of the Celotex Bankruptcy Court in return

for the resolution of all Settlement Claims against the Debtors being resolved by the VPSA. Because the VPSA does not determine how the Settlement Fund will be allocated, but instead only provides a common fund for later allocation, the Settlement Class representative adequately represents the interests of all Veil Piercing Claimants in seeking the approval of the Class Motion, the Class Settlement Motion and the VPSA. Further, the Settlement Class counsel, Caplin & Drysdale, Chartered, is competent and experienced and will more than adequately protect the Settlement Class. Caplin & Drysdale, Chartered, served as liaison counsel for Veil Piercing Claimants over the course of these proceedings, acted as counsel to the AVDs in the Adversary Proceedings and has acted as counsel to numerous other asbestos claimants in other actions.

ttt. Pursuant to Fed. R. Civ. P. 23(c) and the Second December 15 Order, the Court has directed that the best notice of the VPSA, the Class Motion and the Class Settlement Motion practicable under the circumstances be given to all members of the Settlement Class. This included publication notice to all unknown Veil Piercing Claimants and individual notice to all members of the Settlement Class who can be identified through reasonable effort. The Legal Representative had actual notice of the VPSA and the Class Motion and reported to the Celotex

Bankruptcy Court on February 17, 1995 that he supports the VPSA. The notices given fully satisfy due process requirements.

uuu. The specific notices sent to known members of the Settlement Class (defined in the Modified Consensual Plan as Holders of Class U-7 Claims) and the means thereof are set forth, infra. Pursuant to Fed. R. Civ. P. 23(c), the notices state that (i) members of the Settlement Class may be excluded therefrom upon request; (ii) the Court's implementation of the VPSA by approval of the Modified Consensual Plan will include all members who do not opt-out of the Settlement Class; and (iii) any Settlement Class member who does not request exclusion may enter an appearance through counsel.

vvv. Notice, in forms approved by this Court, was timely and properly provided to members of Class U-7 of:

(i) the time, date and place of the Confirmation Hearing and the hearing to approve the VPSA;

(ii) the right, and the last date by which, to object to confirmation of the Consensual Plan, approval of the VPSA, approval of the Class Motion, the appointment of the representative of the Settlement Class, the appointment of counsel for the Settlement Class and the granting of releases to the Released Parties;

(iii) the filing of the Veil Piercing Proof of Claim and the Celotex Proof of Claim;

(iv) the certification of the Settlement Class, the appointment of a representative of, and counsel for, the Settlement Class;

(v) the right to "opt out" of the Settlement Class and the consequences thereof; and

(vi) the Class U-7 Bar Date and the consequences thereof;

by means of:

(a) where possible, the mailing of appropriate notices to (x) each Holder of a Class U-7 Claim at the address listed in the proofs of claim or schedules of liabilities on file in the Celotex Chapter 11 Case and/or the Chapter 11 Cases or (y) in the case of each person or entity who commenced a legal action against Celotex or the Debtors, or threatened in writing to do so, such person's or entity's counsel of record in such action (or, where such action was threatened but not commenced, to the counsel which made such threat);

(b) timely and extensive publication in hundreds of newspapers and other publications during December 1994 and January 1995; and

(c) the mailing of the Disclosure Statement Supplement in accordance with the Bankruptcy Rules and the December 15 Order.

www. Each known Veil Piercing Claimant received full and adequate disclosure of (i) the terms and the consequences of the

Veil Piercing Settlement, the VPSA, the Consensual Plan and the Confirmation Hearing, and (ii) the effects of the Class U-7 Bar Date, the certification of the Settlement Class, the appointment of the representative of and counsel for the Settlement Class, and the decision to "opt out" or not "opt out" of the Settlement Class.

xxx. Each Veil Piercing Claimant, whether presently manifesting symptoms of asbestos-related disease or yet to manifest such symptoms, was given notice, sufficient under the Bankruptcy Rules, the Bankruptcy Code and the standards of due process required by the United States Constitution, of:

(i) the time, date and place of the Confirmation Hearing and the hearing to approve the VPSA;

(ii) the right, and the last date by which, to object to: confirmation of the Consensual Plan, approval of the VPSA, the Class Motion and the Class Settlement Motion, certification of the Settlement Class, appointment of the representative of the Settlement Class, appointment of counsel for the Settlement Class and the granting of releases to the Released Parties;

(iii) the filing of the Veil Piercing Proof of Claim and the Celotex Proof of Claim, and the Debtors' objections thereto;

(iv) the certification of the Settlement Class, the appointment of the representative of, and counsel for, the Settlement Class;

(v) the right to "opt out" of the Settlement Class and the consequences thereof; and

(vi) the Class U-7 Bar Date and the consequences thereof.

yyy. As evidenced by the overwhelming vote of Class U-7 to accept the Consensual Plan and the Veil Piercing Settlement, the absence of any 'opt outs' from the Settlement Class, and the strong recommendations of experienced class counsel and of the Legal Representative in the Celotex Chapter 11 Case in favor of the Veil Piercing Settlement, the Veil Piercing Settlement is in the best interests of the Settlement Class.

zzz. For the reasons set forth above, at the Confirmation Hearing and in the Class Settlement Motion, the settlement of the Veil Piercing Proof of Claim pursuant to the VPSA should be approved under Bankruptcy Rule 7023(e) as fair and reasonable to the Settlement Class. As the Court has approved the Veil Piercing Settlement, certification of the Settlement Class as requested by the Class Motion is now final and meets all criteria for approval of a class settlement under the Federal Rules of Civil Procedure, the Bankruptcy Rules and other applicable law.

aaaa. The Court, as a court of equity whose jurisdiction is governed by equitable principles, has the constitutional and statutory power and authority to issue and enter the injunction contained in Article XII, Section 12.3 of the Modified Consensual Plan and the injunction provided in the Order.

bbbb. The Court may exercise its equitable power and authority to issue injunctive relief where there is a basis for

concluding that reorganization or rehabilitation of the Debtors might be undermined and frustrated by the actions sought to be enjoined.

cccc. The Court has the power and duty to sift through the surrounding circumstances to prevent injustice or unfairness and has the power to fashion equitable remedies where those at law are inadequate.

dddd. The Court has the equitable and inherent power and authority to channel the Settlement Claims to a specific res (the Settlement Fund) and may limit the direct or indirect prosecution of such Settlement Claims against any or all of the Debtors and/or any or all of the Released Parties, and prohibit parties in interest from attempting to circumvent the Modified Consensual Plan, including Finality, and the orders of this Court.

eeee. In exercising its inherent equitable powers, the Court may grant injunctive relief to prevent direct or indirect interference with the administration of the Debtors' estates and facilitate the Debtors' reorganization effort to enable the Debtors to achieve the ultimate objectives of chapter 11, reorganization and rehabilitation. The Court may enjoin or otherwise limit future litigation associated with the Chapter 11 Cases which could undermine and frustrate the Modified Consensual Plan, the Debtors' reorganization or Finality.

ffff. The terms and provisions of the Joint Stipulation dated March 1, 1995, between Debtors and the United States (Internal Revenue Service) regarding the Objection of the United

States (Internal Revenue Service) to Confirmation of the Consensual Plan are hereby incorporated by referance and shall be part of this Order as if fully set forth herein.

IT IS THEREFORE,

NOW, on joint motion of KAYE, SCHOLER, FIERMAN, HAYS & HANDLER and STICHTER, RIEDEL, BLAIN & PROSSER, P.A., counsel to the Debtors, CARLTON, FIELDS, WARD, EMMANUEL, SMITH & CUTLER, counsel to the KKR Proponents, AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P., and STUTMAN, TREISTER & GLATT, P.C., co-counsel for Apollo, PAUL, WEISS, RIFKIND, WHARTON & GARRISON, counsel for Lehman, STROOCK & STROOCK & LAVAN, counsel to the Bondholders Committee, JONES, DAY, REAVIS & POGUE, counsel to the Creditors Committee and MARCUS MONTGOMERY WOLFSON P.C., counsel to the Ad Hoc Committee,

ORDERED, ADJUDGED and DECREED that, based upon the foregoing which constitute the Court's findings of fact and conclusions of law:

1. The Modified Consensual Plan and each of its provisions are hereby confirmed in accordance with Section 1129 of the Bankruptcy Code.

2. The Settlement Motion is granted in its entirety and the Debtors are authorized and directed to perform their obligations under the VPSA according to its terms.

3. The Class Motion and the Class Settlement Motion are granted in their entirety, and the Settlement Class

representative and class counsel are authorized and directed to perform according to the terms of the VPSA.

4. For the reasons set forth on the record of the Confirmation Hearing, each and every Confirmation Objection, to the extent not withdrawn, is overruled.

5. Pursuant to Section 1141(a) of the Bankruptcy Code, the Modified Consensual Plan and its provisions are binding upon the Debtors, any entity issuing securities under the Modified Consensual Plan, any entity acquiring property under the Modified Consensual Plan, any Holder of a Claim against or Interest in the Debtors, regardless of whether the Claim or Interest of such Holder or obligation of any party in interest is in a Class that is impaired under the Modified Consensual Plan or whether such Holder or party in interest has accepted the Modified Consensual Plan.

6. Consistent with the Modified Consensual Plan, the following agreements and documents, substantially in the form of the agreements and documents which are attached as exhibits to the Modified Consensual Plan or which were introduced into evidence at the Confirmation Hearing in substantially final form, including all the annexes and exhibits thereto, and all terms and provisions thereof (collectively, the "Reorganization Documents"), are hereby approved in all respects:

a. New Senior Note Indenture,

b. Qualified Securities Registration Rights Agreement,

c. New Common Stock Registration Rights Agreement,

d. Registration Rights Notice (defined herein),

e. Instruments evidencing the Qualified Securities,

f. New Management Stock Incentive Compensation Plan,

g. Director and Officer Indemnification Agreement,

h. Amendment No. 2 to Post-Petition Replacement Letter of Credit Agreement (defined herein),

i. Amendment No. 6 to Post-Petition New Letter of Credit Agreement (defined herein),

j. VPSA,

k. Tag-Along and Voting Agreement,

l. Form of releases referred to in Article VI, Section 6.3 of the Consensual Plan,

m. Charter,

n. Restated By-Laws of Walter Industries and

o. Stockholders' Agreement between Walter Industries and the Celotex Settlement Fund Recipient.

7. Walter Industries and Computer Services are authorized and directed to fund retiree health benefits in a manner consistent with, and subject to the limitations set forth in, Article V, Section 5.4 of the Modified Consensual Plan.

8. Pursuant to Article V, Section 5.5 of the Modified Consensual Plan, Walter Industries is authorized and directed to pay on or as soon as practicable after the Effective Date, Cash bonuses in the amount of and to the persons set forth in the Schedule of Effective Date Bonus Awards dated February 6, 1995 and filed with this Court on February 6, 1995, and submitted to the Bondholders Committee, the amounts of which are hereby approved.

9. Pursuant to Article V, Section 5.2 of the Modified Consensual Plan, on the Effective Date, the following persons shall be appointed to the board of directors of Walter Industries:

(a) James W. Walter,

(b) G. Robert Durham,

(c) Kenneth J. Matlock,

(d) Michael T. Tokarz,

(e) Elliot M. Fried,

(f) Howard L. Clark, Jr. and

(g) Kenneth A. Buckfire.

The appointment of the foregoing persons to the board of directors of Walter Industries is consistent both with the interests of Holders of Claims against and Interests in the Debtors, and with public policy.

10. The Debtors are hereby authorized and directed to execute, enter into, deliver and/or implement the Reorganization Documents, and all other documents and instruments substantially consistent therewith or incidental thereto, and any amendments, supplements or modifications to such Reorganization Documents as therein provided, and to take such other actions and to perform such other acts as may be necessary and appropriate to implement and effectuate the Modified Consensual Plan and the Reorganization Documents approved herein.

11. The Modified Consensual Plan and all other agreements provided for under the Modified Consensual Plan,

including the Reorganization Documents, and all transactions, documents, instruments and agreements referred to therein, contemplated thereunder or executed and delivered in connection therewith, and any amendments or modifications thereto in substantial conformity therewith, are approved, and the Debtors are authorized and directed to enter into and to perform such agreements according to their terms.

12. Distributions required to be made to the Holders of Claims against and Interests in the Debtors shall be made to the entities entitled thereto as provided in the Modified Consensual Plan. The record date for determining which Holders of Allowed Claims and Allowed Interests are entitled to participate in the distributions pursuant to the Modified Consensual Plan shall be 5:00 p.m. Eastern Standard Time on the Effective Date (the "Distribution Record Date"). Pursuant to Article IV, Section 4.4(a) of the Modified Consensual Plan, the Debtors, the Bank Agents or the Disbursing Agent (as defined in this Order), as the case may be, shall have no obligation to recognize any transfer of Revolving Credit Bank Claims, Working Capital Bank Claims, Series B & C Senior Notes, Grace Street Notes, Sloss IRB Claims, Subordinated Notes or Interests occurring after the Distribution Record Date.

13. As provided in Article III, Section 3.6(a) of the Modified Consensual Plan, the Cash payment required to be made to each Holder of a Class S-1 Allowed Claim pursuant to said subsection shall be made on the Effective Date.

14. As provided in Article III, Section 3.7(a) of the Modified Consensual Plan, the Cash payment required to be made to each Holder of a Class S-2 Allowed Claim pursuant to said subsection shall be made on the Effective Date.

15. This Order shall constitute all approvals and consents required, if any, by the laws, rules or regulations of any State or any other governmental authority with respect to the implementation or consummation of the Modified Consensual Plan and any other documents, instruments or agreements, and any amendments or modifications thereto and any other acts referred to in or contemplated by the Modified Consensual Plan, the Disclosure Statement Supplement, the Reorganization Documents, and any other documents, instruments or agreements, any amendments or modifications thereto and any other acts that may be necessary or appropriate for the implementation or consummation of the Modified Consensual Plan.

16. Except as otherwise provided in the Modified Consensual Plan or this Order, and except for any security interests provided under the Modified Consensual Plan or contemplated by the New Senior Note Indenture, the New Working Capital Facility or the Mid-State Homes Warehouse Credit Facility, on the Effective Date, all Assets shall vest in and be retained by the Debtors free and clear of all Claims (other than Claims arising under the Post-Petition Replacement Letter of Credit Agreement (as defined herein) and the Post-Petition New Letter of Credit Agreement (as defined herein)) and Interests of

the Holders of Claims and the Holders of Interests in accordance with Sections 1141(b) and (c) of the Bankruptcy Code. Subsequent to the Confirmation Date and until the occurrence of the Effective Date, all such Assets shall remain property of each of the respective Debtors' estates and shall remain subject to the Liens granted under the Working Capital Agreement, the Revolving Credit Agreement, the Series B & C Senior Note Indenture, the Post-Petition Replacement Letter of Credit Agreement dated as of May 18, 1990, as amended (the "Post-Petition Replacement Letter of Credit Agreement"), and the Post-Petition New Letter of Credit Agreement dated as of May 2, 1990, as amended (the "Post-Petition New Letter of Credit Agreement"), and such Liens shall continue until the Effective Date (but shall not continue thereafter except as provided in the Post-Petition Replacement Letter of Credit Agreement and the Post-Petition New Letter of Credit Agreement).

17. On the Effective Date, the transfers of property by the Debtors contemplated by the Modified Consensual Plan including, but not limited to, the transfer of Cash, Qualified Securities and shares of New Common Stock to the Celotex Settlement Fund Recipient pursuant to Article III, Section 3.22 of the Modified Consensual Plan, will be legal, valid, binding and effective transfers of property and will vest, to the fullest extent permitted by the Bankruptcy Code, good title to such property in the respective transferee, free and clear of all Liens, Claims and encumbrances, except as otherwise provided by

the Modified Consensual Plan or as required in order to implement the New Senior Note Indenture, the Mid-State Homes Warehouse Credit Facility and the New Working Capital Facility. The creation and perfection on or after the Effective Date of the Liens securing the New Senior Note Indenture, the Mid-State Homes Warehouse Credit Facility and the New Working Capital Facility and the execution and delivery of guaranties by any of the Debtors thereunder will not be made with actual intent to hinder, delay or defraud any person, will be made for reasonably equivalent value and fair consideration, will not result in the insolvency of any of the Debtors, will not leave any of the Debtors with unreasonably small capital with which to conduct their businesses, will not be made with the intent to, or belief that they will, incur debts that the respective Debtors would be unable to pay as they become due, nor will such transfers or the incurring of such obligations in any other manner constitute fraudulent conveyances or transfers. The Cash, New Senior Notes, shares of New Common Stock and other property held for distribution to Holders of Allowed Claims and Interests pursuant to the Modified Consensual Plan will be held in trust for such Holders of Allowed Claims and Interests and vest in such Holders of Allowed Claims and Interests when distributed thereto pursuant to the Modified Consensual Plan, free and clear of all Claims and Interests of all other creditors, equity security holders and Persons.

18. Except as otherwise expressly provided in the Modified Consensual Plan or this Order, pursuant to Article XII, Section 12.3 of the Modified Consensual Plan and Section 1141(d) of the Bankruptcy Code, the issuance of this Order shall operate as a discharge effective as of the Effective Date, of any and all Debts (as such term is defined in Section 101(12) of the Bankruptcy Code) or Claims against one or more of the Debtors that arose at any time before the Effective Date and from any Debt or Claim of a kind specified in Sections 502(g), 502(h) and 502(i) of the Bankruptcy Code, including, without limitation, all principal of, and interest on, all indebtedness, whether accrued before, on or after the Filing Date. The discharge of the Debtors will be effective as to each Claim, regardless of whether a proof of Claim was filed or deemed filed, whether the Claim is an Allowed Claim or whether the Holder thereof voted to accept or reject the Consensual Plan. On the Effective Date, the Holder of every discharged Debt and Claim will be permanently enjoined from asserting against any and all of the Debtors or any of their respective assets, any other or further Claim based upon any law, rule or regulation or any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, other than as provided in the Modified Consensual Plan.

19. Pursuant to Section 1146(c) of the Bankruptcy Code, neither the issuance, transfer or exchange of a security under the Modified Consensual Plan, including, but not limited

to, the issuance, transfer or exchange of the New Senior Notes and the shares of New Common Stock, nor the making or delivery of an instrument of transfer, nor the revesting and transfer of any real property or personal property of the Debtors in accordance with the Modified Consensual Plan (including, without limitation, the New Senior Note Indenture, the New Working Capital Facility, the Mid-State Trust IV transaction approved by the Court at the hearing held on February 22, 1995 and the Mid-State Homes Warehouse Credit Facility and the creation and perfection of any Lien or security interest in connection therewith, whether on, before or after the Effective Date, as contemplated by the Modified Consensual Plan), shall be taxed under any law imposing a stamp tax or similar tax, including any state or local sales, use, transfer, documentary, recording or gains tax.

20. Pursuant to Article XII, Section 12.2 of the Modified Consensual Plan and Sections 105, 1123 and 1129 of the Bankruptcy Code, in order to preserve and implement the settlements contemplated by and provided for in the Modified Consensual Plan, effective on the Effective Date, all Persons who have held, hold or may hold a Demand, Debt or Claim, or who have held, hold or may hold Interests, shall be permanently enjoined, to the fullest extent permitted by law, from taking any of the following actions against or affecting any or all of the Released Parties or any or all of the Assets (or assets or other property) of any or all of the Released Parties with respect to such Claims, Debts, Demands or Interests (other than actions brought

to enforce any rights or obligations under the Modified Consensual Plan or any of the Reorganization Documents or appeals, if any, from this Order): (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against any and all of the Released Parties or any and all of the Assets (or assets or other property) of any and all of the Released Parties or any direct or indirect successor in interest to any of the Released Parties, or any or all of the Assets (or assets or other property) of any such successor; (b) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against any or all of the Released Parties or any and all of the Assets (or assets or other property) of any and all of the Released Parties or any direct or indirect successor in interest to any of the Released Parties or any or all of the Assets (or assets or other property) of such transferee or successor; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against any and all of the Released Parties or any and all of the Assets (or assets or other property) of any and all of the Released Parties or any direct or indirect successor in interest to any of the Released Parties, or any or all of the Assets (or assets or other property) of any such transferee or successor other than as contemplated by the Modified Consensual Plan or any of the Reorganization Documents; (d) asserting any set-off, right of

subrogation or recoupment of any kind, directly or indirectly, against any obligation due any or all of the Released Parties or any or all of the Assets (or assets or other property) of any and all of the Released Parties, or successor in interest to any of the Released Parties; and (e) proceeding in any manner that does not conform to or comply with the provisions of the Modified Consensual Plan or any of the Reorganization Documents.

21. Notwithstanding paragraphs 18, 19 and 20 of this Order, nothing in the Modified Consensual Plan, this Order or the injunction and discharge provisions contained therein shall (a) affect or discharge any liability of the Debtors to the "Pension Plans" (as defined in the Creditors' Disclosure Statement) or the Pension Benefit Guaranty Corporation (the "PBGC") arising from the termination of any of the Pension Plans subsequent to the Effective Date or (b) affect the right of the PBGC to commence any action to collect or recover from the Debtors, their Assets or properties on account of any liability which may arise from the termination of any of the Pension Plans subsequent to the Effective Date.

22. In accordance with Article IV, Section 4.4(b) of the Modified Consensual Plan, and subject to the provisions of paragraph 25 and any other provisions of this Order, no Holder of Revolving Credit Bank Claims, Working Capital Bank Claims, Series B & C Senior Notes, the Sloss IRB Claims, Grace Street Notes, Subordinated Notes or Interests shall be entitled to any rights or distributions under the Modified Consensual Plan unless and

until such Holder has first surrendered or caused to be surrendered the relevant instrument or certificate, if any, held by such Holder to: (a) with respect to Revolving Credit Bank Claims and Working Capital Bank Claims, the applicable Bank Agent, (b) with respect to the Series B & C Senior Notes, Walter Industries, (c) with respect to Subordinated Notes, United States Trust Company of New York, as the disbursing agent (the "Disbursing Agent"), (d) with respect to Grace Street Notes, Walter Industries, (e) with respect to the Sloss IRB Claims, Sloss and (f) with respect to Interests in the Old Common Stock, Walter Industries. Further, no Holder of a Subordinated Note shall be entitled to any rights or distributions under the Modified Consensual Plan unless and until such Holder shall also have returned a properly executed letter of transmittal in customary form, and with respect to each Holder of a Subordinated Note Claim who acquires such Subordinated Note Claim after the Effective Date, such other documentation as is reasonably required by the Disbursing Agent. Upon surrender of such instruments evidencing the Revolving Credit Bank Claims, the Working Capital Bank Claims, the Series B & C Senior Notes, the Sloss IRB Claims, the Grace Street Notes, the Subordinated Notes or Interests, the applicable Bank Agent, the Disbursing Agent, Sloss or Walter Industries, as the case may be, is hereby directed to cancel such instruments or certificates or otherwise dispose of the same as Walter Industries may request.

23. Each Holder of a Subordinated Note Claim who asserts an entitlement to Qualified Securities and/or New Common Stock based upon the making of or the failure to make the Subordinated Note Claim Election shall make such representations and provide such documentary proof as the Disbursing Agent may reasonably request demonstrating that such Holder (or the predecessor Holder, as the case may be) timely made or did not make the Subordinated Note Claim Election. In the event such Holder of a Subordinated Note Claim fails to comply with such requests or the Disbursing Agent is unable to obtain such evidence after using or causing to be used commercially reasonable efforts, then the Disbursing Agent and Walter Industries shall treat such Holder as though such Holder did not make the Subordinated Note Claim Election with respect to such Subordinated Note Claim, as provided in Section 4.5(c) of the Modified Consensual Plan.

24. Each Holder of a Senior Subordinated Note Claim who asserts an entitlement to Qualified Securities and/or New Common Stock based upon the making of or the failure to make the Class U-4 Exchange Election shall make such representations and provide such documentary proof as the Disbursing Agent and Walter Industries may reasonably request demonstrating that such Holder (or the predecessor Holder, as the case may be) timely made or did not make the Class U-4 Exchange Election. In the event such Holder of a Senior Subordinated Note Claim fails to comply with such requests or the Disbursing Agent is unable to obtain such

evidence after using or causing to be used commercially reasonable efforts, then the Disbursing Agent shall treat such Holder as though such Holder did not make the Class U-4 Exchange Election with respect to such Senior Subordinated Note Claim, as provided in Section 4.5(c) of the Modified Consensual Plan.

25. In the event that a certificate or instrument evidencing a Revolving Credit Bank Claim, Working Capital Bank Claim, Series B & C Senior Note, Sloss IRB Claim, Grace Street Note, Subordinated Note or Interest has been lost, destroyed, stolen or mutilated, the Holder of the Claim or Interest thereon may instead execute and deliver an affidavit of loss and indemnity with respect thereto, accompanied by a properly completed and executed letter of transmittal, together with, if Walter Industries so requests, a bond in form and substance (including, without limitation, amount) reasonably satisfactory to Walter Industries. Walter Industries may require that a bond be posted by any such Holder at any time prior to making distribution to such Holder under the Modified Consensual Plan. Promptly upon surrender of the instrument evidencing such Claim or Interest, but not earlier than the Effective Date, such instrument will be canceled or retired, as the case may be.

26. In accordance with Article IV, Section 4.14 of the Modified Consensual Plan, any Holder of a Revolving Credit Bank Claim, Working Capital Bank Claim, Series B & C Senior Note Claim, Grace Street Note Claim, Sloss IRB Claim, Subordinated Note Claim or Interest that fails to comply with Article IV of

the Modified Consensual Plan and to the extent applicable, paragraphs 22 or 25 of this Order, within two years after the Effective Date will be deemed to have forfeited all rights and Claims and Interests and will not participate in any distribution under the Modified Consensual Plan. Promptly after the second anniversary of the Effective Date, the Bank Agent or the Disbursing Agent, as the case may be, will deliver to Walter Industries as Walter Industries' sole and absolute property, the amount of Cash, if any (including any interest accrued thereon), which the Holder of any Revolving Credit Bank Claim, Working Capital Bank Claim, Subordinated Note Claim or Interest, as the case may be, who failed to comply with Article IV of the Modified Consensual Plan and to the extent applicable, paragraphs 22 or 25 of this Order, during such two (2) year period would have received had such Holder complied with Article IV of the Modified Consensual Plan and to the extent applicable, paragraphs 22 or 25 of this Order. Upon such payment to Walter Industries, the Bank Agent or the Disbursing Agent, as the case may be, will have no further responsibility with respect thereto.

27. As of the Effective Date and except as otherwise provided in the Modified Consensual Plan, the following will be deemed canceled, satisfied, discharged, terminated, released and of no further force and effect, without further action: (a) the Revolving Credit Agreement (and all notes, guaranties and other documents executed, granted or delivered thereunder by the Debtors and any of their subsidiaries or other Affiliates), other

than the right of the Revolving Credit Agents under the Revolving Credit Agreement to assert rights for contribution, indemnification or reimbursement from distributions to Holders of Revolving Credit Bank Claims, (b) the Working Capital Agreement (and all notes, guarantees and other documents executed, granted or delivered thereunder by the Debtors and any of their subsidiaries or other Affiliates), other than the right of the Working Capital Agents under the Working Capital Agreement to assert rights for contribution, indemnification or reimbursement from distributions to Holders of Working Capital Bank Claims, (c) the Series B & C Senior Note Indenture (and all Series B & C Senior Notes, guarantees and other documents executed, granted or delivered thereunder by the Debtors and any of their subsidiaries or other Affiliates), other than the Series B & C Senior Note Trustee's right to assert a lien upon distributions to the Holders of Series B & C Senior Note Claims under the Series B & C Senior Note Indenture, (d) the Sloss IRB Indenture and (e) the Senior Subordinated Note Indenture, 10 7/8% Subordinated Debenture Indenture, 13 1/8% Subordinated Note Indenture, 13 3/4% Subordinated Debenture Indenture and the 17% Subordinated Note Indenture (and all Subordinated Notes issued thereunder, guarantees and other documents executed, granted or delivered thereunder by the Debtors and any of their subsidiaries or other Affiliates), other than the Subordinated Note Trustees' right to assert a Lien upon distributions to the Holders of Subordinated Note Claims to the extent that the Allowed Indenture Trustee

Claims of the Subordinated Note Trustees are not paid by the Reorganized Debtors.

28. The aggregate Allowed Amount of the Revolving Credit Agents Class S-8 Claims and Working Capital Agents Class S-9 Claims shall be $5,519,791; provided however that counsel to the Revolving Credit Agents and Working Capital Agents may send to the Debtors, and the Debtors shall pay to such counsel to the extent the amounts set forth therein are reasonable, statements for services rendered and disbursements incurred during the period after January 31, 1995. Walter Industries has requested authorization to act as Series B & C Senior Note Disbursing Agent under Section 4.5(b) of the Modified Consensual Plan. It is appropriate and in the best interests of the Debtors estates that Walter Industries perform the duties of Series B & C Senior Note Disbursing Agent udner Section 4.5(b) of the Modified Consensual Plan, and Walter Industries is hereby authorized to perform such duties. The Series B & C Senior Note Trustee shall have no obligations, responsibilites or liabilities in connection with Section 4.5(b) of the Modified Consensual Plan.

29. The Allowed Amount of the Series B & C Senior Note Trustee Administrative Claim for reasonable fees and expenses under the Series B & C Senior Note Indenture shall be $707,233.75, provided, however, that counsel to the Series B & C Senior Note Trustee may send to the Debtors, and the Debtors shall pay to such counsel to the extent the amounts set forth therein are reasonable, statements for services rendered and

disbursements incurred during the period after January 31, 1995. Walter Industries has requested authorization to act as Series B & C Senior Note Disbursing Agent under Section 4.5(b) of the Modified Consensual Plan. It is appropriate and in the best interests of the Debtors' estates that Walter Industries perform the duties of Series B & C Senior Note Disbursing Agent under Section 4.5(b) of the Modified Consensual Plan, and Walter Industries is hereby authorized to perform such duties. The Series B & C Senior Note Trustee shall have no obligations, responsibilities or liabilities in connection with Section 4.5(b) of the Modified Consensual Plan.

30. The Allowed Amount of the Senior Subordinated Indenture Trustee Administrative Claim for reasonable fees and expenses under the Senior Subordinated Note Indenture shall be $263,446.31.

31. The Allowed Amount of the 17% Indenture Trustee Administrative Claim for reasonable fees and expenses under the 17% Subordinated Note Indenture shall be $353,127.11.

32. The Allowed Amount of the 10 7/8% Indenture Trustee Administrative Claim for reasonable fees and expenses under the 10 7/8% Subordinated Debenture Indenture shall be $399,053.48.

33. The Allowed Amount of the 13 1/8% Indenture Trustee Administrative Claim and the 13 3/4% Indenture Trustee Administrative Claim for reasonable fees and expenses under the

13 1/8% Subordinated Note Indenture and the 13 3/4% Subordinated Debenture Indenture shall be $311,081.06.

34. The Allowed Amount of the Ad Hoc Committee s Administrative Claim for reasonable fees and expenses payable pursuant to the terms of the Consensual Plan as Proponents Expenses shall be $640,112.41.

35. As of the Effective Date, all shares of Old Common Stock and Stock Acquisition Rights will be deemed canceled, annulled and of no further force or effect.

36. (a) As of the Effective Date, each Holder of a Claim against and/or an Interest in any of the Debtors (and all trustees and/or agents on behalf of such Holder): (a) that receives (or on whose behalf the Celotex Settlement Fund Recipient receives) any property and/or New Common Stock to be distributed to or for the benefit of a Holder of any Claim, Debt, Demand or Interest pursuant to Article III of the Modified Consensual Plan and in consideration therefor; (b) in a Class that accepted or is deemed to have accepted the Modified Consensual Plan; or (c) that marked a box on the ballot sent to such Holder for purposes of voting whether to accept or reject the Creditors' Plan, indicating such Holder's express agreement to grant the release provided in Section 6.1 of the Creditors' Plan shall be deemed to have, and will have, released each and all of the Debtors, the Existing Equityholders, the Consensual Plan Proponents, the KKR Parties, the Apollo Parties, the Lehman Parties, the other Parties to the VPSA, the Holders of Revolving

Credit Bank Claims, the Holders of Working Capital Bank Claims, the Revolving Credit Agents, the Working Capital Agents, the Holders of Series B & C Senior Note Claims, the Holders of Subordinated Note Claims, the Series B & C Senior Note Trustee, the Subordinated Note Trustees, the members of the Official Committees, the members of the Ad Hoc Committee and the respective present and former parents, subsidiaries, Affiliates, directors, officers, partners (general and limited), shareholders (record and beneficial), employees, agents, advisors, predecessors in interest and representatives of all of the foregoing, in each case in any and all of such released Person's aforementioned capacities (including, without limitation, with respect to each of the Bondholder Proponents and the Series B & C Senior Note Trustee, any action or inaction related to or set forth in the definition of Qualified Securities or New Senior Notes in the Modified Consensual Plan or in the description of "Financing Matters" in Section 4.19 of the Modified Consensual Plan); provided, however, that the foregoing release shall not include Celotex and its subsidiaries (in any capacity), but shall include the respective present and former shareholders (record and beneficial), directors, officers, partners (general and limited), employees, agents, advisors and representatives of Celotex and its subsidiaries (collectively, the Persons released in Section 6.1 of the Modified Consensual Plan are referred to herein as the "Released Parties"), of and from any and all Claims, obligations, rights, causes of action, Demands and liabilities (other than the

right to enforce the Debtors' obligations under the Modified Consensual Plan or the Reorganization Documents) which such Holder may be entitled to assert, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, based in whole or in part upon any act, omission or other occurrence taking place from the beginning of time to and including the Effective Date in any way relating to the Debtors, the Chapter 11 Cases or the Modified Consensual Plan (including, without limitation, any of the Veil Piercing-Related Issues or LBO-Related Issues).

(b) The Court hereby approves and authorizes the releases provided in Article VI, Sections 6.1, 6.2 and 6.3 of the Modified Consensual Plan.

(c) Nothing contained in this paragraph 36.a.b.P. 36(a) or (b) shall increase or decrease the scope of the releases provided for in the VPSA respecting Settlement Claims and/or any claims and causes of action arising from the assertion of any or all of the Settlement Claims.

37. On the Effective Date, except as otherwise provided in the Modified Consensual Plan and the Reorganization Documents, all Claims based on any contractual, statutory, judicial or other Lien on any property or Asset of any of the Debtors, or based on the possession by any Person or that Person's agent, of any property of any Debtor (including, without limitation, any Indenture Trustee holding collateral) shall be deemed discharged and satisfied.

38. Pursuant to Article VIII, Section 8.1 of the Modified Consensual Plan, and in accordance with Section 1123(b)(2) of the Bankruptcy Code, the Debtors will be deemed to have assumed each Executory Contract, other than the Executory Contracts listed on Exhibit 6 to the Modified Consensual Plan, that has not been rejected before ninety (90) days after the Effective Date. In accordance with Section 365(b) of the Bankruptcy Code, the Debtors are directed to cure any pre-Filing Date defaults respecting each assumed Executory Contract, other than those set forth in Section 365(b)(2) of the Bankruptcy Code.

39. The Executory Contracts listed in Exhibit 6 to the Modified Consensual Plan shall be deemed rejected as of the Effective Date.

40. Pursuant to Article VIII, Section 8.3 of the Modified Consensual Plan, any Claim for damages arising by reason of the rejection of any Executory Contract, other than the Executory Contracts listed in Exhibit 6 to the Modified Consensual Plan, may constitute an Allowed Claim or Interest, as the case may be, if, but only if, a proof of claim therefor is timely filed. The Debtors reserve their rights to object to any such proof of claim. Pursuant to Article VIII, Section 8.3 of the Modified Consensual Plan, the last day for filing proofs of claim arising by reason of the rejection of any Executory Contract shall be thirty (30) days after issuance of a Final Order authorizing the rejection of such Executory Contract. As set forth in Article VIII, Section 8.4 of the Modified Consensual

Plan, any unsecured Claim arising from the rejection of an Executory Contract will constitute a Claim in Class U-3.

41. The Debtors may file within sixty (60) days from the date of receipt of notice that any proof of claim is filed in accordance with paragraph 40 herein, any and all objections to the allowance of any such Claim.

42. The Debtors may file within sixty (60) days from the Effective Date any and all objections to the allowance of any Claim not heretofore objected to, including any and all applications to amend the Debtors' Schedules, unless such period of time is extended by order of this Court for cause shown, and in the event of a failure to do so, any objections to the allowance of the Claims affected thereby will be deemed waived. The foregoing provision shall not apply to any Claims covered by paragraph 44 of this Order.

43. Pursuant to Article IV, Section 4.11(a)(ii) of the Modified Consensual Plan, the Debtors shall not be required to reserve any Cash for Disputed Claims.

44. Fee Applications for services rendered from the Filing Date to the Confirmation Date and any requests for the allowance of Administrative Claims shall be filed within forty-five (45) days after issuance of this Order. Objections to any such Fee Applications or such requests for the allowance of Administrative Claims filed by the Debtors, the Bondholders Committee and/or any party in interest pursuant to this paragraph shall be filed within seventy-five (75) days after issuance of

this Order. Reasonable compensation and expenses incurred subsequent to the Confirmation Date shall promptly be paid by the Debtors upon the submission of bills providing reasonable detail describing the services provided and the disbursements incurred (the "Post-Confirmation Date Fee Claims"). The Court retains jurisdiction to determine any disputes concerning the reasonableness of any Post-Confirmation Date Fee Claims.

45. Pursuant to Article VI, Section 6.4 of the Modified Consensual Plan, each of the Debtors is authorized in its respective articles of incorporation and/or by-laws to jointly and severally indemnify, hold harmless and reimburse its present and former officers and directors and such other natural Persons as are described therein from and against any and all losses, Claims, damages, fees, expenses, liabilities and actions pursuant to the terms of such indemnity. All rights of Persons indemnified pursuant to contract, corporate charter, by-laws or applicable law by any one or more of the Debtors as of the Filing Date, or at any time during these Chapter 11 Cases, shall survive Confirmation of the Modified Consensual Plan, shall not be discharged pursuant to Section 1141 of the Bankruptcy Code, and shall not be subject to disallowance due to the contingent or unliquidated nature of such right under Section 502(e)(1) of the Bankruptcy Code. However, any such right of indemnification shall be enforceable only to the extent that it is valid and enforceable under applicable nonbankruptcy law and shall be subject to any and all defenses available under applicable non-

bankruptcy law. The failure to object to the allowance of any such right (or claim) for indemnity shall in no way preclude, bar or otherwise affect any defense or other challenge to any such indemnity under applicable nonbankruptcy law.

46. Pursuant to Article IV, Section 4.1 of the Modified Consensual Plan, Walter Industries is authorized to execute and file the Charter with the Secretary of State of Delaware (with the terms being hereby approved). The Charter shall be filed with the Secretary of the State of Delaware and recorded in accordance with Section 103 of the Delaware Corporation Law and shall thereupon become effective in accordance with its terms and the provisions of the Delaware Corporation Law.

47. Without limiting the New Common Stock Registration Rights Agreement in any respect, pursuant to Section 2(a) of the New Common Stock Registration Rights Agreement, Walter Industries is authorized and directed to file, not later than forty-five (45) days after the Effective Date, a shelf registration pursuant to Rule 415 promulgated under the Securities Act which provides for the sale by the Holders of all Registrable Common Stock and Walter Industries is directed to use its reasonable best efforts to have such shelf registration thereafter declared effective by the SEC not later than ninety (90) days after the Effective Date.

48. Without limiting the Qualified Securities Registration Rights Agreement in any respect, pursuant to Section 2(a) of the Qualified Securities Registration Rights Agreement,

Walter Industries be, and it hereby is, authorized to file, not later than forty-five (45) days after the Effective Date, a shelf registration pursuant to Rule 415 promulgated under the Securities Act which provides for the sale by the Holders of all Registrable Notes and Walter Industries is directed to use its reasonable best efforts to have such shelf registration thereafter declared effective by the SEC not later than ninety (90) days after the Effective Date.

49. Within five (5) Business Days after the occurrence of the Effective Date, the Debtors (with respect to the Holders of Series B & C Senior Note Claims and Holders of Old Common Stock Interests), the Bank Agents (with respect to the Holders of Revolving Credit Bank Claims and Working Capital Bank Claims) and the Debtors (with respect to Holders of Subordinated Note Claims) shall send the "Notice to the Holders of New Common Stock and to the Holders of New Senior Notes: Registration Rights" (the "Registration Rights Notice"), substantially in the form annexed to the respective Registration Rights Agreement to which such Notice relates, to each Holder of a Claim or Interest entitled to receive shares of New Common Stock under Article III of the Modified Consensual Plan. Any such Holder of a Claim or Interest shall comply with the procedures and deadlines, if any, set forth in the Registration Rights Notice if such Holder wishes to avail itself of the benefits of the New Common Stock Registration Rights Agreement or be forever barred from availing itself of such benefits.

50. Within five (5) Business Days after the occurrence of the Effective Date, the Debtors shall send the Registration Rights Notice to each Holder of a Subordinated Note Claim entitled to receive New Senior Notes under the Modified Consensual Plan. Any Holder of a Subordinated Note Claim shall comply with the procedures and deadlines set forth in the Registration Rights Notice if such Holder wishes to avail itself of the benefits of the Qualified Securities Registration Rights Agreement or be forever barred from availing itself of such benefits.

51. Except to the extent provided for in paragraph 44 of this Order, the Official Committees will be deemed dissolved and the duties of the Official Committees and their legal, financial and other advisors will thereupon terminate in accordance with and to the extent provided in Article XIII, Section 13.8 of the Modified Consensual Plan. The Debtors shall remain liable to pay the expenses of the members of the Official Committees to the extent set forth in Article XIII, Section 13.8 of the Modified Consensual Plan.

52. Notwithstanding the entry of this Confirmation Order or the occurrence of the Effective Date, the Court will retain jurisdiction of the Chapter 11 Cases for the following purposes:

(a) To hear and determine any and all pending motions and applications for the rejection or disaffirmance, assumption or assignment of Executory Contracts, any objections to Claims

resulting therefrom, and the allowance of any Claims resulting therefrom;

(b) To hear and determine any and all applications, adversary proceedings, contested matters and other litigated matters pending on the Confirmation Date;

(c) To ensure that the distributions to Holders of Allowed Claims and Interests are accomplished as provided herein and in the Reorganization Documents;

(d) To hear and determine any objections to Claims filed, before or after Confirmation, to allow or disallow, in whole or in part, any Disputed Claim, and to hear and determine other issues presented by or arising under the Modified Consensual Plan;

(e) To enter and implement such orders as may be appropriate in the event implementation of this Order or the Modified Consensual Plan is for any reason stayed, or this Order is reversed, revoked, modified or vacated;

(f) To hear and determine all applications for compensation of professionals and reimbursement of expenses under Sections 330, 331, 503(b) or 1129(a)(4) of the Bankruptcy Code;

(g) To hear any application by the Consensual Plan Proponents to modify the Modified Consensual Plan in accordance with Section 1127 of the Bankruptcy Code (after Confirmation, any Consensual Plan Proponent may also, so long as it does not adversely affect the interest of Holders of Claims against and Interests in the Debtors, institute proceedings in the Court to

remedy any defect or omission or reconcile any inconsistencies in the Modified Consensual Plan, the Disclosure Statement Supplement or this Order, in such manner as may be necessary to carry out the purposes and effects of the Modified Consensual Plan);

(h) To enforce and to hear and determine disputes arising in connection with the Modified Consensual Plan or its implementation, including disputes among Holders (or alleged Holders) of Claims against and Interests in the Debtors and disputes arising under the Reorganization Documents, the VPSA, the Pre-LBO Bondholders Settlement Agreement, or any other agreements, documents or instruments executed in connection with the Modified Consensual Plan;

(i) To construe and to take any action to enforce the Modified Consensual Plan, Reorganization Documents and this Order, and issue such orders as may be necessary for the implementation, execution and consummation of the Modified Consensual Plan and the execution, delivery and performance of the Reorganization Documents;

(j) To construe and to take any action to enforce the VPSA, including, without limitation, the enforcement of the settlements, injunctions and releases contained or provided for therein and herein, and issue such orders as may be necessary for the implementation of the VPSA;

(k) To determine such other matters and for such other purposes as may be provided in this Order and the VPSA;

(l) Except as provided in Article III, Section 3.26(c) of the Modified Consensual Plan with respect to the Arbitrator, to hear and determine any motions, contested matters or adversary proceedings involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters, with respect to the Debtors or their estates arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Cases;

(m) To hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code; and

(n) To enter a final decree closing the Chapter 11 Cases; subject, however, in all respects to the Court's discretion to decline to exercise jurisdiction over matters as to which the Court deems its continued jurisdiction to be inappropriate.

53. On the Effective Date, the following adversary proceedings and contested matters shall be deemed dismissed with prejudice, and with each party to bear its own costs, to the extent set forth in this paragraph 53 without the need for any further action to be taken by any party to such adversary proceeding or contested matter:

(a) as to all Released Parties, Mellon Bank, N.A. and The Bank of New York v. Kohlberg Kravis Roberts & Co., et al., Adversary Proceeding No. 94-17;

(b) Hillsborough Holdings Corporation, et al. v. Leon Black, et al., Adversary Proceeding No. 94-562;

(c) the contested proceeding commenced by the Debtors on May 5, 1994 seeking a determination that unsecured creditors are

not entitled to post-petition interest on account of their Claims in the Chapter 11 Cases;

(d) the motion dated September 9, 1994 filed by the Creditor Proponents seeking a determination that unsecured creditors are entitled to post-petition interest before Holders of Interests may receive any distribution under a chapter 11 plan of reorganization for the Debtors, and that it is permissible for a chapter 11 plan of reorganization for the Debtors to provide post-petition interest to unsecured creditors before any distribution to Holders of Interests;

(e) the motion dated August 5, 1994 filed by the Debtors seeking to void the Amended and Restated Veil Piercing Settlement Agreement;

(f) the motion dated September 8, 1994 filed by the Creditor Proponents seeking to approve the Amended and Restated Veil Piercing Settlement Agreement;

(g) all motions filed by the Debtors requesting that the ballots cast by, inter alia, each member of the Creditors Committee, Bondholders Committee and Ad Hoc Committee of Pre-LBO Bondholders on the Creditors' Plan be designated pursuant to Section 1126(e) of the Bankruptcy Code, and the motion to void the voting process as a whole, and requiring that votes on the Creditors' Plan be resolicited;

(h) remand from the District Court with respect to the application of the Apache Note Proceeds against Class S-1 Claims and Class S-2 Claims; and

(i) the Adversary Proceedings.

54. Pursuant to Sections 2(a), 3(c)(i) and 3(c)(ii) of the VPSA, the distribution of Qualified Securities, New Common Stock and, if applicable, additional Cash on account of the Attorneys' Fee Differential, pursuant to Section 3.22 of the Modified Consensual Plan, shall be in full and complete settlement, satisfaction, release and discharge of (a) any Claim, obligation, right, cause of action, Demand and liability (other than the right to enforce obligations under the Modified Consensual Plan and the VPSA) based upon a Veil Piercing Related Issue which any Person or entity may be entitled to assert, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, directly or indirectly, against any and all of the Released Parties based in whole or in part upon any act, omission or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Modified Consensual Plan or Celotex and its subsidiaries (including, without limitation, any of the Settlement Claims) and (b) any Claim, indemnity and cause of action based upon a LBO-Related Issue assertable against any and all of the Released Parties that any or all of the Debtors, or any person(s) or entity(ies) claiming through any or all of them, have in connection with the LBO, any action taken in contemplation of the LBO, or any contemporaneous or subsequent transaction(s) entered into as part of, arising out of or relating to the LBO or any or all of the LBO transaction(s) or

transfer(s), including, without limitation, any and all obligations of any nature contemplated by, arising out of or related to the Stock Purchase Agreement between Hillsborough and Jasper Corp. dated as of April 21, 1988, as amended pursuant to amendments dated May 26, 1988 and January 25, 1989, and the related Undertaking of Jasper Corp. (including, without limitation, any of the Settlement Claims), including the Claims asserted in the Veil Piercing Proof of Claim and the Celotex Proof of Claim.

55. Pursuant to Section 502 of the Bankruptcy Code and Section 3(a)(vii) of the VPSA, the Veil Piercing Proof of Claim filed on behalf of the Settlement Class and the Celotex Proof of Claim shall together constitute an Allowed Claim in an aggregate amount equal to the sum of $375 million plus the Attorneys' Fees Differential to be paid and satisfied as provided in the VPSA and Article III, Section 3.22 of the Modified Consensual Plan.

56. All Settlement Claims represented by the Veil Piercing Proof of Claim and Celotex Proof of Claim shall be fully and completely settled, satisfied, released and discharged by the Debtors' distribution of the Settlement Fund to the Celotex Settlement Fund Recipient, and the Holders of Settlement Claims shall have no other Claim or Demand to or against any or all of the Debtors or their chapter 11 estates or any or all of Released Parties or any or all of their assets or property and are fully and completely enjoined, prohibited and stayed from asserting any such Claim or Demand against any or all of the Debtors, their

chapter 11 estates or any or all of the Released Parties, or their assets or property.

57. The validity and amount of Claims to or Demands against the Settlement Fund shall be determined by the Celotex Bankruptcy Court, and the Settlement Fund shall be administered by, and be subject to the jurisdiction of, the Celotex Bankruptcy Court.

58. The provisions in the Modified Consensual Plan and the exhibits thereto, including, but not limited to, Article VI, Section 6.4 of the Modified Consensual Plan are approved in all respects.

59. As provided in Sections 3(a)(ii), 3(c)(i) and 3(c)(ii) of the VPSA, all Persons who have held, hold or may hold any Claim, cause of action or Demand based upon a Veil Piercing Related Issue, a LBO-Related Issue raised or assertable by a Veil Piercing Claimant, or a Settlement Claim, shall be permanently stayed, restrained and enjoined (the "Veil Piercing Settlement Injunction") from taking one or more of the following actions against or affecting any or all of the Released Parties or any and all of the Assets (or assets or other property) of any or all of the Released Parties for the purpose of, directly or indirectly, collecting, recovering or receiving payment of, on or with respect to any Settlement Claim, including, but not limited to, (a) all Claims, obligations, rights, causes of action, Demands and liabilities (other than the right to enforce obligations under the Modified Consensual Plan and the VPSA)

which any Person may be entitled to assert, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, directly or indirectly, based in whole or in part upon any act, omission or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Modified Consensual Plan or Celotex and its subsidiaries, and (b) all Claims, indemnities and causes of action that any or all of the Debtors or their estates, or any Person(s) claiming through any or all of them, have in connection with the LBO, any action taken in contemplation of the LBO, or any contemporaneous or subsequent transaction(s) entered into as part of, arising out of or relating to the LBO or any or all of the LBO transaction(s) or transfer(s), including, without limitation, any and all obligations of any nature contemplated by, arising out of or related to the Stock Purchase Agreement between Hillsborough and Jasper Corp. dated as of April 21, 1988, as amended pursuant to amendments dated May 26, 1988 and January 25, 1989 and the related Undertaking of Jasper Corp.: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against any or all of the Released Parties or any or all of the Assets (or assets or other property) of any and all of the Released Parties or any direct or indirect successor in interest to any or all of the Released Parties, or any or all of the Assets (or assets or other property) of any such successor; (ii) enforcing, levying, attaching, collecting or otherwise recovering

by any manner or means whether directly or indirectly any judgment, award, decree or order against any or all of the Released Parties or any or all of the Assets (or assets or other property) of any and all of the Released Parties or any direct or indirect successor in interest to any or all of the Released Parties or any or all of the Assets (or assets or other property) of any such transferee or successor; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against any and all of the Released Parties or any or all of the Assets (or assets or other property) of any and all of the Released Parties or any direct or indirect successor in interest to any or all of the Released Parties or any or all of the Assets (or assets or other property) of any such transferee or successor; (iv) asserting any set-off, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due any or all of the Released Parties or any and all of the Assets (or assets or other property) of any and all of the Released Parties, or any direct or indirect transferee of any or all of the Assets (or assets or other property), of, or successor in interest to, any and all of the Released Parties; (v) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Modified Consensual Plan, the VPSA or this Order; and (vi) using the record of the Adversary Proceedings Trial, including the transcript of the trial and all depositions taken in connection therewith, against any or all of the Released Parties

provided, however, that such record may be used by this Court, the Celotex Bankruptcy Court and any appellate court of competent jurisdiction for the sole purpose of such court's review and/or enforcement of this Order and the VPSA, with all such Claims, causes of action or Demands to transfer to and attach to the Settlement Fund.

60. Without any further act or action of any kind, each and every member of the Settlement Class shall be deemed to have provided the Mutual Releases set forth in Section 4(b) of the VPSA.

61. The failure to reference or discuss any particular provision of the Modified Consensual Plan in this Order shall have no effect on the validity, binding effect and enforceability of such provision and such provision shall have the same validity, binding effect and enforceability as every other provision of the Modified Consensual Plan.

62. Subject to the provisions of paragraph 63 of this Order, to the extent of any inconsistency between the terms of the Modified Consensual Plan and this Order, those of the Modified Consensual Plan shall govern.

63. To the extent of any inconsistency between the terms of this Order, the Modified Consensual Plan and the VPSA, the terms of the VPSA shall govern.

Dated: Tampa, Florida
March 29th 1995

Alexander Paskay

ALEXANDER L. PASKAY
CHIEF UNITED STATES BANKRUPTCY JUDGE

I CERTIFY THE FOREGOING TO BE A TRUE AND CORRECT COPY OF THE ORIGINAL UNITED STATES BANKRUPTCY COURT DAVID K. OLIVERIA, CLERK

Walter D. Elmore
Deputy Clerk

I CERTIFY THAT THIS ORDER WAS SERVED BY U.S. MAIL TO Don Stichter, ATTORNEY FOR DEBTOR, FOR SERVICE TO BE EFFECTED UPON THE PARTIES LISTED ON

3-2-95 (Date)

By Deputy Clerk SP

DOC# 1077116

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re	In Proceedings For A Reorganization Under Chapter 11
HILLSBOROUGH HOLDINGS CORPORATION	No. 89-9715-8P1
BEST INSURORS, INC.	No. 89-9740-8P1
BEST INSURORS OF MISSISSIPPI, INC.	No. 89-9737-8P1
COAST TO COAST ADVERTISING, INC.	No. 89-9727-8P1
COMPUTER HOLDINGS CORPORATION	No. 89-9724-8P1
DIXIE BUILDING SUPPLIES, INC.	No. 89-9741-8P1
HAMER HOLDINGS CORPORATION	No. 89-9735-8P1
HAMER PROPERTIES, INC.	No. 89-9739-8P1
HOMES HOLDING CORPORATION	No. 89-9742-8P1
JIM WALTER COMPUTER SERVICES, INC.	No. 89-9723-8P1
JIM WALTER HOMES, INC.	No. 89-9746-8P1
JIM WALTER INSURANCE SERVICES, INC.	No. 89-9731-8P1
JIM WALTER RESOURCES, INC.	No. 89-9738-8P1
JIM WALTER WINDOW COMPONENTS, INC.	No. 89-9716-8P1
JW ALUMINUM COMPANY	No. 89-9718-8P1
JW RESOURCES, INC.	No. 90-11997-8P1
JW RESOURCES HOLDINGS CORPORATION	No. 89-9719-8P1
J.W.I. HOLDINGS CORPORATION	No. 89-9721-8P1
J.W. WALTER, INC	No. 89-9717-8P1
JW WINDOW COMPONENTS, INC.	No. 89-9732-8P1
LAND HOLDINGS CORPORATION	No. 89-9720-8P1
MID-STATE HOMES, INC.	No. 89-9725-8P1
MID-STATE HOLDINGS CORPORATION	No. 89-9726-8P1
RAILROAD HOLDINGS CORPORATION	No. 89-9733-8P1
SLOSS INDUSTRIES CORPORATION	No. 89-9743-8P1
SOUTHERN PRECISION CORPORATION	No. 89-9729-8P1
UNITED LAND CORPORATION	No. 89-9730-8P1
UNITED STATES PIPE AND FOUNDRY COMPANY	No. 89-9744-8P1
U.S. PIPE REALTY, INC.	No. 89-9734-8P1
VESTAL MANUFACTURING COMPANY	No. 89-9728-8P1
WALTER HOME IMPROVEMENT, INC.	No. 89-9722-8P1
WALTER INDUSTRIES, INC.	No. 89-9745-8P1
WALTER LAND COMPANY,	No. 89-9736-8P1
Debtors.	(Jointly Administered)

NOTICE OF ENTRY OF ORDER CONFIRMING AMENDED JOINT PLAN OF REORGANIZATION DATED AS OF DECEMBER 9, 1994, AS MODIFIED

NOTICE IS HEREBY GIVEN that on March 2, 1995 (the "Confirmation Date"), the United States Bankruptcy Court for the Middle District of Florida, Tampa Division, entered an Order (the "Confirmation Order") Confirming the Amended Joint Plan of Reorganization dated as of December 9, 1994, as Modified (the "Consensual Plan") filed by the above-named Debtors, the KKR Proponents[1], the Bondholders Committee, Apollo, Lehman Brothers Inc., the Creditors Committee and the Ad Hoc Committee of Pre-LBO Bondholders.

NOTICE IS FURTHER GIVEN that pursuant to the Confirmation Order, the motion seeking approval of the Second Amended and Restated Veil Piercing Settlement Agreement pursuant to Bankruptcy Rule 9019 was granted in its entirety and the Debtors were authorized and directed to perform their obligations under the Second Amended and Restated Veil Piercing Settlement Agreement.

[1] All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Consensual Plan.

NOTICE IS FURTHER GIVEN that pursuant to the Confirmation Order, the motion seeking approval of the Court, *inter alia*, certifying a class of Veil Piercing Claimants for settlement purposes only (the "Settlement Class") was granted in its entirety.

NOTICE IS FURTHER GIVEN that pursuant to the Confirmation Order, the motion seeking approval of the Court, *inter alia*, pursuant to Bankruptcy Rule 7023(e) of (i) the Second Amended and Restated Veil Piercing Settlement Agreement, as it relates to the Settlement Class, and (ii) the settlement of the Veil Piercing Proof of Claim was granted in its entirety.

NOTICE IS FURTHER GIVEN that the record date for determining which Holders of Allowed Claims and Allowed Interests are entitled to participate in distributions pursuant to the Consensual Plan has been established as 5:00 p.m. Eastern Standard Time on March 17, 1995 which shall constitute the Effective Date (the "Distribution Record Date").

NOTICE IS FURTHER GIVEN that except as otherwise provided in the Consensual Plan or the Confirmation Order, and except for any security interests provided under the Consensual Plan or contemplated by the New Senior Note Indenture, or the Definitive Financing Documentation, on the Effective Date, all Assets of the respective Debtors' estates shall vest in such Debtors free and clear of all Claims and Interests in accordance with Sections 1141(b) and (c) of the Bankruptcy Code.

NOTICE IS FURTHER GIVEN that except as otherwise provided in the Consensual Plan, the Confirmation Order, certain other orders entered by the Court relating to objections filed to confirmation of the Consensual Plan, or Section 1141(d)(1) of the Bankruptcy Code, the Confirmation Order operates as a discharge effective as of the Effective Date of any and all debts or Claims against any of the Debtors that arose at any time before the Effective Date and any debt or Claim of a kind specified in Sections 502(g), (h) and (i) of the Bankruptcy Code, regardless of whether a proof of Claim was filed, whether the Claim is an Allowed Claim or whether the Holder of such Claim voted to accept or reject the Consensual Plan.

NOTICE IS FURTHER GIVEN that pursuant to the Confirmation Order, Fee Applications for services rendered from the Filing Date to the Confirmation Date and any requests for the Allowance of Administrative Claims must be filed no later than April 17, 1995. Objections filed by the Debtors, the Bondholders Committee and/or any party in interest to any such Fee Applications or requests for the Allowance of Administrative Claims must be filed no later than May 16, 1995.

YOU ARE FURTHER NOTIFIED that Holders of Series B and C Senior Notes, Subordinated Notes and/or Interests as of the Distribution Record Date will be sent a separate letter of transmittal with instructions informing such Holders of the procedures to be followed to surrender their respective Series B and C Senior Notes, Subordinated Notes and/or Old Common Stock in order to receive distributions under the Consensual Plan.

BY THE COURT
Carl R. Stewart, *Clerk*
4921 Memorial Highway, Suite 105
Tampa, Florida 33634

DATED at Tampa, Florida on March 20, 1995

*366 197 B.R. 366

In re HILLSBOROUGH HOLDINGS CORP., et al., Debtors.
James W. WALTER, et al., Plaintiffs,
v.
The CELOTEX CORPORATION and Jim Walter Corporation, Defendants.

Bankruptcy Nos. 89-9715-8P1 to 89-9746-8P1 and 90-11997-8P1.

Adv. No. 96-340.

United States Bankruptcy Court, M.D. Florida, Tampa Division.

April 11, 1996.

Chapter 11 debtors brought adversary proceeding to enforce multiparty veil piercing settlement agreement, which settled controversies with asbestos claimants, thereby allowing debtors to satisfy feasibility requirement of confirmation. The defendant, which had its own Chapter 11 case pending in another court, moved to dismiss the proceeding, or, in the alternative, to stay all proceedings or to transfer them. The Bankruptcy Court, Alexander L. Paskay, Chief Judge, held that bankruptcy court would retain jurisdiction, as agreement was heart and core of debtors' reorganization plan.

Motion denied.

1. BANKRUPTCY ⇐3570
51 —
51XIV Reorganization
51XIV(B) The Plan
51k3570 Execution and performance.

Bkrtcy.M.D.Fla. 1996.
Bankruptcy court that confirmed Chapter 11 debtors' reorganization plan based on multiparty veil piercing settlement agreement, which settled controversies with asbestos claimants, retained jurisdiction over adversary proceeding to enforce agreement, since debtors could not have met feasibility requirements of confirmation without agreement, and therefore, agreement was "heart and core" of Chapter 11 debtors' reorganization plan, and retention of jurisdiction did not interfere with defendant's proposed plan in its own Chapter 11 case. Bankr.Code, 11 U.S.C.A. § 1129(a)(11).

2. BANKRUPTCY ⇐3570
51 —
51XIV Reorganization
51XIV(B) The Plan
51k3570 Execution and performance.

Bkrtcy.M.D.Fla. 1996.
Chapter 11 debtors' complaint alleging that defendant breached multiparty veil piercing settlement agreement, which settled controversies with asbestos claimants and allowed debtors to satisfy feasibility requirement of confirmation, raised case or controversy, as required for bankruptcy court that confirmed debtors' reorganization plan to have jurisdiction over adversary proceeding to enforce agreement. U.S.C.A. Const. Art. 3, § 2, cl. 1; Bankr.Code, 11 U.S.C.A. § 1129(a)(11).

3. BANKRUPTCY ⇐2367
51 —
51IV Effect of Bankruptcy Relief; Injunction and Stay
51IV(A) In General
51k2363 Protection Against Discrimination or Collection Efforts in General; "Fresh Start."
51k2367 Injunction or stay of other proceedings.

[See headnote text below]

3. BANKRUPTCY ⇐3570
51 —
51XIV Reorganization
51XIV(B) The Plan
51k3570 Execution and performance.

Bkrtcy.M.D.Fla. 1996.
Bankruptcy Court that confirmed Chapter 11 debtors' reorganization plan based on multiparty veil piercing settlement agreement, which settled controversies with asbestos claimants, would not stay adversary proceeding to enforce agreement pending confirmation of defendant's own Chapter 11 plan, since defendant's plan's provisions conflicted with agreement. Bankr.Code, 11 U.S.C.A. § 1129.

4. BANKRUPTCY ⇐2084.10
51 —

511 In General
511(D) Venue; Personal Jurisdiction
51k2084 Transfer and Consolidation of Cases
51k2084.10 Particular cases.

[See headnote text below]

4. BANKRUPTCY ⇐3570
51 ---
51XIV Reorganization
51XIV(B) The Plan
51k3570 Execution and performance.

Bkrtcy.M.D.Fla. 1996.

Bankruptcy Court that confirmed Chapter 11 debtors' reorganization plan based on multiparty veil piercing settlement agreement, which settled controversies with asbestos claimants, would not transfer adversary proceeding to enforce agreement to court in which defendant's own Chapter 11 case was being litigated, since interpretation of agreement was made in debtors' case, not in defendant's case, and court that ordered confirmation of debtors' plan was best able to interpret and construe that interpretation. Bankr.Code, 11 U.S.C.A. § 1129.

*367 James L. Patton, Jr., Young, Conaway, Stargatt & Taylor, Wilmington, DE.

Richard A. Nielsen, Tampa, FL.

Marsha Griffin Rydberg, Tampa, FL.

Don M. Stichter, Tampa, FL.

Gene Locks, Philadelphia, PA.

Charles E. Koob, Simpson, Thacher & Bartlett, New York City.

Jeffrey Warren, Tampa, FL.

Robert D. Drain, Paul, Weiss, Rifkind, Wharton & Garrison, New York City.

W. Keith Fendrick, Tampa, FL, Steven M. Pesner, Akin, Gump, Strauss, Hauer & Feld, New York City.

Michael B. Colgan, Tampa, FL.

Fred Baron, Dallas, TX.

Joseph Rice, Barnwell, SC.

Howard D. Scher, Philadelphia, PA.

ORDER ON DEFENDANT THE CELOTEX CORPORATION'S MOTION TO DISMISS OR, IN THE ALTERNATIVE, TO STAY ALL PROCEEDINGS OR TO TRANSFER

ALEXANDER L. PASKAY, Chief Judge.

This is a confirmed Chapter 11 case and the matter under consideration is the Defendant The Celotex Corporation's Motion to *368 Dismiss or, in the Alternative, to Stay All Proceedings or to Transfer (Motion) filed in the above-captioned adversary proceeding. This proceeding was commenced by James W. Walter and others (Plaintiffs) who named, as defendants, the Celotex Corporation (Celotex) and Jim Walter Corporation (JWC) (Defendants). The Motion asserts four different grounds in support of the proposition that this Court should not consider the merits of the adversary proceeding. The first two grounds relied upon by the Defendants are based on the contentions that because the Amended Joint Plan of Reorganization dated as of December 9, 1994, as Modified (HHC Plan) of Hillsborough Holdings Corporation (HHC) and its affiliates had been confirmed for more than one year, the issues raised by this lawsuit have nothing to do with consummation of the HHC Plan. Instead, Defendants contend the adversary proceeding is nothing more than a suit for breach of contract between non-debtors, which claim should be litigated, if at all, in some other forum. Second, Defendants urge that dismissal is proper because the Complaint does not present a "case or controversy" and, therefore, this Court lacks jurisdiction under Article III, § 2, cl. 1 of the United States Constitution.

Third, Defendants suggest that if this Court entertains this lawsuit it would improperly interfere with the reorganization procedure of Celotex presently pending before the Honorable Thomas E. Baynes, Jr., of this Court. Accordingly, Defendants urge this Court to transfer this adversary proceeding to Judge Baynes. Fourth, Defendants request this Court to abstain and stay the proceedings to allow the Celotex confirmation to proceed to conclusion in an orderly fashion, without delay.

In order to put the issues raised in the Motion in proper focus, a brief recap of the relevant history of the Chapter 11 case of HHC, now known as Walter Industries (Walter Industries), is in order. HHC and its 32 wholly-owned subsidiaries filed a Petition for Relief in this Court under Chapter 11 on Dec. 28, 1989. It was evident from the outset that HHC and its subsidiaries would not be able to achieve rehabilitation under this Chapter unless they were able to resolve, in some way, the threat of lawsuits filed by asbestos-related personal injury claimants (asbestos claimants). These lawsuits loomed over the economic existence and the very survival of not only HCC, but also of its principals, the individuals who are Plaintiffs in this particular adversary proceeding.

To resolve this threat, on January 3, 1990, HCC filed an adversary proceeding, No. 90-3, and sought declaratory relief determining that the corporate veil between it and JWC, its predecessor, could not be pierced, and, in turn, that the asbestos claimants do not have valid enforceable claims against the Debtors and others who were also sued. The declaratory action was ultimately tried by this Court, beginning December 13, 1993, and concluded on December 17, 1993, when the matter was taken under advisement. After reviewing the extensive record, documentary evidence, and the transcript and considering voluminous submissions by the parties, on April 18, 1994, this Court entered an order determining that the asbestos claimants were not entitled to pierce the corporate veil and did not have a valid allowable claim against HHC and others involved in the adversary proceeding. The asbestos claimants, having been aggrieved by the decision, timely filed a Notice of Appeal. On October 18, 1994, the District Court issued its opinion containing lengthy and extensive analysis of the issues and affirmed this Court's decision in toto.

In the summer of 1994, this Court terminated exclusivity granted by § 1121(b) to the Debtors, which triggered an increase in activity toward reorganization. The Debtors, the Bondholders Committee, Apollo Advisors, L.P., and Lehman Brothers Inc. each filed their Plans of Reorganization. After the respective Disclosure Statements had been approved, new issues were raised which had to be resolved before the Plans could be considered for confirmation. Those issues were set for trial in October, 1995. The trial commenced as scheduled but during the trial, this Court directed the parties to convene for a settlement conference in which all parties participated, including Celotex and JWC. As a result, the parties announced in principle their agreement to settle the controversies *369 with the asbestos claimants. Based on that announcement, this Court discontinued the trial and directed the parties to return to the drawing board and prepare the final form of the Veil Piercing Settlement Agreement (VPSA). The VPSA was actually completed and filed, and approved by this Court with the proviso that the same shall also be approved by the Celotex Court. The VPSA contained specific provisions regarding a § 524(g) injunction, to wit:

> § 4(e) *Covenants.* The Celotex Corporation, JWC, the Official Celotex Committees and the Veil Piercing Claimants' Representatives each agrees to propose and use its respective best efforts to obtain confirmation of a Chapter 11 plan in the Celotex Chapter 11 Case that includes a provision for an injunction pursuant to Section 524(g) of the Code that shall apply to, cover, protect and benefit, *inter alia,* each and all of the released Parties in his/her/its representative capacity as a Released Party or an injunction acceptable to the Released Parties that provides for the same protections afforded by Section 524(g) to the Released Parties. Without limiting the foregoing, such Chapter 11 plan in the Celotex Case *shall include:*
>
> (i) an injunction pursuant to Section 524(g) of the Code that channels all claims being settled herein to a trust contemplated by Section 524(g) of the Code and applies to and covers all of the Released Parties or an injunction acceptable to the Released Parties that provides for the same protections afforded by Section 524(g) to the Released Parties; [and]
>
> (ii) an injunction pursuant to Section 524(g) of the Code which injunction shall apply to and protect each and all of the released Parties or an injunction acceptable to the Released Parties that provides for the same protections afforded by Section 524(g) to the Released Parties.

The approval of the VPSA was considered in due course by the Celotex Court which, on February 13, 1995, entered an order approving the same and granting authority to Celotex and *ordering* Celotex to perform the terms of the VPSA. That Order

provided, *inter alia*, that "Celotex is authorized and directed to enter into the Second Amended Settlement Agreement and to render performance in accordance with the terms and conditions of the Second Amended Settlement Agreement."

On March 2, 1995, this Court confirmed HHC's Amended Joint Plan of Reorganization Dated as of December 9, 1994, as Modified (HHC Plan). The linchpin and heart of the HHC Plan, which supported the feasibility requirement of § 1129(a)(11), was the VPSA, which was designed to resolve all claims including the claims of the asbestos claimants against the Debtors and the other parties released by the VPSA. There is hardly any doubt that the central concern of the parties was to put the threat of the asbestos claims to rest forever and ensure, as much as legally possible, finality with respect to resolution of all claims, including future asbestos-related personal injury claims. In order to achieve this goal, the Order confirming the HHC Plan expressly approved the VPSA in its entirety and further stated that the "Debtors are authorized and directed to perform their obligations under the VPSA according to its terms." (HHC Plan, p. 44, para. 2).

Moreover, paragraph 52 of this Court's Order confirming the HHC Plan also expressly reserved jurisdiction to consider, among other things, the following:

(i) To construe and to take any action to enforce the Modified Consensual Plan, Reorganization Documents and this Order, and issue such orders as may be necessary for the implementation, execution and consummation of the Modified Consensual Plan and the execution, delivery and performance of the Reorganization Documents;

(j) To construe and to take any action to enforce the VPSA, including, without limitation, the enforcement of the settlements, injunctions and releases contained or provided for therein and herein, and issue such orders as may be necessary for the implementation of the VPSA; [and]

*370 (k) To determine such other matters and for such other purposes as may be provided in this Order and the VPSA.

It is without dispute that pursuant to the VPSA, HHC agreed and did establish a settlement fund to be administered by Celotex valued at $375 million as consideration for the 524(g) injunction protection. Celotex also agreed to use its best efforts to achieve confirmation of its Plan which provided all released parties to the VPSA with the protection of a § 524(g) injunction. It is also without dispute that the original version of the Celotex Plan of Reorganization included the following to establish the elements required for the § 524(g) injunction:

§ 7.1(b) The Confirmation Order will provide that the requirements of Section 524(g) of the Bankruptcy Code have been met in connection with the issuance of the Supplemental Injunction.

§ 7.1(c) The Confirmation Order will provide that the requirements of Section 524(g) of the Bankruptcy Code have been met for the issuance of the Third Party Injunction.

§ 7.1(d) The Confirmation Order will provide that the requirements of Section 524(g) of the Bankruptcy Code have been met for the issuance of the Veil Piercing Settlement Injunction.

It appears, however, that the Amended Plans of Celotex which followed deleted these provisions. Celotex contends that it is not required to provide for the 524(g) injunction in its Plan, but is permitted to furnish something it deems to be a legal equivalent and Celotex intends to "cramdown" the Plan on the asbestos claimants rather than seek approval of the asbestos claimants as required by § 524(g)(2)(B)(ii)(IV), which of course, would eliminate forever the protective shield offered by the provisions of the 524(g) injunction.

[1] The foregoing facts, as recited, form the basic background of the Motion under consideration which are relevant to the resolution of the issues raised by Celotex and JWC in their Motion. Considering those issues seriatim, one might very well argue with persuasion that the matters raised by the Complaint are a controversy between non-debtors; therefore, this Court lacks jurisdiction to consider the claims and the relief requested. However, anyone who is vaguely familiar with the procedural background and the history of the Chapter 11 reorganization case of HCC/Walter Industries and its affiliates, must admit that this is an oversimplification of the issues. As noted earlier, the VPSA is at the heart and core of the reorganization of these Debtors and is an

indispensable, vital and inseparable element of their Chapter 11 case. This Court has previously recognized that "[a]lthough it is generally accepted that a Court's post-confirmation jurisdiction should be narrowly construed, substantial case law exists which provides a court with the ability to retain jurisdiction over specific matters." *In re Bicoastal Corp.*, 164 B.R. 1009, 1015 (Bankr.M.D.Fla.1993) (citing *In re Neptune World Wide Moving, Inc.*, 111 B.R. 457 (Bankr.S.D.N.Y.1990); *In re A.R.E. Manufacturing Company, Inc.*, 138 B.R. 996 (Bankr.M.D.Fla.1992); *In re Highway Equipment Co.*, 120 B.R. 910 (Bankr.S.D.Ohio 1990); *Prince v. Clare*, 67 B.R. 270 (N.D.Ill.1986)). This Court is satisfied that it is appropriate to retain jurisdiction under these circumstances.

The clear language of the VPSA and the Order of Confirmation of the Chapter 11 cases of HHC and its affiliates leaves no doubt that it was the intention of all parties that the VPSA, as structured, was the only proper vehicle suitable to assure that the Order of Confirmation will furnish the broadest possible protection to the Debtors and those connected with the Debtors, without which the HHC Plan could not have met the requirements of feasibility of § 1129(a)(11). To achieve this goal, which was apparent to all and specifically spelled out in the Order of Confirmation, this Court retained jurisdiction to assure that the terms of the VPSA are carried out to their fullest extent. This Court retained jurisdiction to prevent, as Celotex purports to do, the abandonment of the § 524(g) protection for some undefined, unspecified substitute which is hardly the legal equivalent of the protection contemplated by the parties.

It is intimated by Celotex that if this Court retains jurisdiction of this adversary proceeding, *371 that would, in fact, interfere with its reorganization process and would somehow prejudge whatever Plan Celotex intends to propose and for which it seeks confirmation. This is not even remotely a correct representation of what is sought by the Plaintiffs. There is no intimation, even indirectly, that this adversary proceeding will interfere with the reorganization process in Celotex. Rather, this adversary proceeding requests nothing more and nothing less than that Celotex abide by its promises, and not only do what it promised, but what it was ordered to do by the Celotex Court.

This is not an attempt by these Plaintiffs to exact a guarantee from Celotex or JWC that a particular Plan proposed in Celotex is confirmed. The fact of the matter is that the success or lack of success of that reorganization is of no consequence and is without significance. Neither does this Complaint attempt to influence the Celotex Court to consider whatever Plan is proposed by Celotex or by others, and obviously, that Court is clear to act on any Plan as it deems proper and in accordance with the applicable standards set forth in § 1129(a) of the Bankruptcy Code. The reservation of jurisdiction by this Court was designed to ensure that the provisions of the VPSA and the Order of Confirmation are complied with to the letter of the law, without any unilateral modification to which no one agreed. This Court is not unmindful that there is authority to support the proposition that controversies concerning performance of the confirmed plan may be litigated in a non-bankruptcy forum. *See, e.g., Zerand-Bernal Group, Inc. v. Cox*, 23 F.3d 159 (7th Cir.1994); *OMC Recreational Boat Group, Inc. v. Laino*, No. 88-7473-8P1 through 88-7844-8P1 (Bankr.M.D.Fla. Jan. 9, 1995). However, due to the importance of the resolution of the issue raised by the Complaint, i.e., Celotex's duty to perform its obligations under the VPSA and the express reservation of jurisdiction by this Court to consider all matters relevant to the Chapter 11 cases before this Court, including the injunctive protection provided by § 524(g) provided in the Plan, it is appropriate for this Court to maintain this litigation and resolve the issues raised.

[2] The contention that the Complaint presents no case or controversy is similarly without merit; clearly there is a case or controversy raised in the Complaint and, on this ground, the Motion to Dismiss should be denied.

[3] This leaves for consideration the two alternatives suggested; first, that this Court stay this adversary proceeding until Celotex completes its confirmation process. This suggestion is merely an indirect way to eliminate the requirement that Celotex live up to its promise. If and when Celotex is able to attain confirmation without the § 524(g) protection, this would render moot the adversary proceeding completely. It appears that Celotex filed its Amended Plan, which is now targeted for confirmation in June of this year. For this reason, it is clear that the issues raised in the Complaint must be resolved before the Celotex case reaches the actual confirmation stage.

[4] Lastly, the suggestion that this adversary proceeding should be transferred to the Celotex Court is equally without merit for the following reasons: (1) the interpretation of the VPSA was made in the Chapter 11 case of HHC and its affiliates and not in the Celotex case; (2) the VPSA was approved and embodied in the Order Confirming the HHC Plan entered by this Court and obviously, the interpretation of the VPSA and this Court's own Order of Confirmation could be more properly interpreted and construed by this Court than by a Court which did not enter same.

Based on the foregoing, this Court is satisfied that Defendant The Celotex Corporation's Motion to Dismiss or, in the Alternative, to Stay All Proceedings or to Transfer should be denied.

Accordingly, it is

ORDERED, ADJUDGED AND DECREED that the Defendant The Celotex Corporation's Motion to Dismiss or, in the Alternative, to Stay All Proceedings or to Transfer be, and the same is, hereby denied. It is further

ORDERED, ADJUDGED AND DECREED the Defendants shall have 10 days *372. from the date of entry of this Order to file their answer to the Complaint, if so deemed to be advised.

DONE AND ORDERED.

USP TO MUELLER WATER CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT, dated as of October 3, 2005 (this "Agreement"), is entered into by MUELLER HOLDING COMPANY, INC., a Delaware corporation ("Holdco"), and MUELLER WATER PRODUCTS, LLC, a Delaware limited liability company ("Mueller").

WHEREAS, pursuant to the Agreement and Plan of Merger, dated as of June 17, 2005 (the "Merger Agreement"), among Mueller Water Products, Inc., a Delaware corporation, Walter Industries, Inc., a Delaware corporation, JW MergerCo, Inc., a Delaware corporation ("MergerCo"), and DLJ Merchant Banking II, Inc., a Delaware corporation (as the Stockholders' Representative), at the Effective Time (as defined in the Merger Agreement), MergerCo will merge into Mueller Water Products, Inc. (the "Merger");

WHEREAS, HoldCo currently owns 1,000 units of United States Pipe and Foundry Company, LLC, an Alabama limited liability company ("U.S. Pipe LLC", and such units, the "U.S. Pipe Units"), representing all of the outstanding U.S. Pipe Units; and

WHEREAS, subject to the consummation of the Merger, HoldCo wishes to contribute to Mueller, and Mueller wishes to accept the contribution of, the U.S. Pipe Units.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Contribution and Assignment. Immediately after the Effective Time, HoldCo shall, subject to the consummation of the Merger, contribute, deliver and assign to Mueller, and Mueller shall accept the contribution, delivery and assignment of, all of the right, title and interest of HoldCo in and to the U.S. Pipe Units free and clear of all liens (the "Contribution").

SECTION 2. Withdrawal. Concurrently with the consummation of the Contribution, HoldCo shall withdraw as a member of U.S. Pipe LLC.

SECTION 3. Admission. Concurrently with the consummation of the Contribution, (i) Mueller shall assume and agree to pay, perform and discharge all liabilities and obligations of HoldCo under, and agrees to be bound by, all of the provisions of the Limited Liability Company Agreement of U.S. Pipe LLC (the "LLC Agreement") applicable to HoldCo and (ii) by virtue of the execution and delivery of this Agreement by Mueller, Mueller shall be deemed to have executed and delivered to U.S. Pipe LLC a counterpart signature page to the LLC Agreement.

SECTION 4. Third Party Beneficiaries. The Contribution is for the sole benefit of HoldCo and Mueller and their successors and assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 5. Reasonable Best Efforts. Subject to the terms and conditions of this Agreement, each party will use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement.

SECTION 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York applicable to agreements made and to be performed entirely within such state.

SECTION 7. Further Action. In addition to this Agreement, the parties hereto shall execute, acknowledge and deliver without further consideration, any documents or instruments as may be reasonably required, including without limitation, further assignments or conveyances required by any state or federal authority, deeds and consents, to further evidence the Contribution.

SECTION 8. Termination. This Agreement shall be terminated without the Contribution without any further action of the parties hereto if the Closing of the Merger has not occurred by 11:59 p.m. on the date hereof.

SECTION 9. Severability. If any one or more provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions hereof.

SECTION 10. Interpretation; Capitalized Terms. Titles and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "herein," "hereof" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement. Capitalized terms used but not defined herein shall have the respective meanings set forth in the Merger Agreement.

SECTION 11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Rest of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

MUELLER HOLDING COMPANY, INC.

By: _____
Name: Joseph J. Troy
Title: President

MUELLER WATER PRODUCTS, LLC

By: _____
Name: Miles C. Dearden, III
Title: Vice President

USP TO MUELLER GROUP CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT, dated as of October 3, 2005 (this "Agreement"), is entered into by MUELLER WATER PRODUCTS, LLC, a Delaware limited liability company ("MW"), and MUELLER GROUP, LLC, a Delaware limited liability company ("MG").

WHEREAS, pursuant to the Agreement and Plan of Merger, dated as of June 17, 2005 (the "Merger Agreement"), among Mueller Water Products, Inc., a Delaware corporation, Walter Industries, Inc., a Delaware corporation, JW MergerCo, Inc., a Delaware corporation ("MergerCo"), and DLJ Merchant Banking II, Inc., a Delaware corporation (as the Stockholders' Representative), at the Effective Time (as defined in the Merger Agreement), MergerCo will merge into Mueller Water Products, Inc. (the "Merger");

WHEREAS, MW currently owns 1,000 units of United States Pipe and Foundry Company, LLC, an Alabama limited liability company ("U.S. Pipe LLC", and such units, the "U.S. Pipe Units"), representing all of the outstanding U.S. Pipe Units; and

WHEREAS, subject to the consummation of the Merger, MW wishes to contribute to MG, and MG wishes to accept the contribution of, the U.S. Pipe Units.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Contribution and Assignment. Immediately after the Effective Time, MW shall, subject to the consummation of the Merger, contribute, deliver and assign to MG, and MG shall accept the contribution, delivery and assignment of, all of the right, title and interest of MW in and to the U.S. Pipe Units free and clear of all liens (the "Contribution").

SECTION 2. Withdrawal. Concurrently with the consummation of the Contribution, MW shall withdraw as a member of U.S. Pipe LLC.

SECTION 3. Admission. Concurrently with the consummation of the Contribution, (i) MG shall assume and agree to pay, perform and discharge all liabilities and obligations of MW under, and agrees to be bound by, all of the provisions of the Limited Liability Company Agreement of U.S. Pipe LLC (the "LLC Agreement") applicable to MW and (ii) by virtue of the execution and delivery of this Agreement by MG, MG shall be deemed to have executed and delivered to U.S. Pipe LLC a counterpart signature page to the LLC Agreement.

SECTION 4. Third Party Beneficiaries. The Contribution is for the sole benefit of MW and MG and their successors and assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 5. Reasonable Best Efforts. Subject to the terms and conditions of this Agreement, each party will use its reasonable best efforts to take, or cause to be taken, all

actions and to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement.

SECTION 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York applicable to agreements made and to be performed entirely within such state.

SECTION 7. Further Action. In addition to this Agreement, the parties hereto shall execute, acknowledge and deliver without further consideration, any documents or instruments as may be reasonably required, including without limitation, further assignments or conveyances required by any state or federal authority, deeds and consents, to further evidence the Contribution.

SECTION 8. Termination. This Agreement shall be terminated without the Contribution without any further action of the parties hereto if the Closing of the Merger has not occurred by 11:59 p.m. on the date hereof.

SECTION 9. Severability. If any one or more provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions hereof.

SECTION 10. Interpretation; Capitalized Terms. Titles and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "herein," "hereof" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement. Capitalized terms used but not defined herein shall have the respective meanings set forth in the Merger Agreement.

SECTION 11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Rest of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

MUELLER WATER PRODUCTS, LLC

By: _____
Name: Miles C. Dearden, III
Title: Vice President

MUELLER GROUP, LLC

By: _____
Name: Miles C. Dearden, III
Title: Vice President

USP TO HOLDCO CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT, dated as of September 22, 2005 (this "Agreement"), is entered into by WALTER INDUSTRIES, INC., a Delaware corporation ("Walter"), and MUELLER HOLDING COMPANY, INC., a Delaware corporation ("HoldCo").

WHEREAS, pursuant to the Agreement and Plan of Merger, dated as of June 17, 2005 (the "Merger Agreement"), among Mueller Water Products, Inc. ("Mueller"), Walter, JW MergerCo, Inc., a Delaware corporation ("MergerCo"), and DLJ Merchant Banking II, Inc., a Delaware corporation (as the Stockholders' Representative), at the Effective Time (as defined in the Merger Agreement), MergerCo will merge into Mueller (the "Merger");

WHEREAS, Walter currently owns 1,000 shares of the common stock, par value $0.01 per share, of United States Pipe and Foundry Company, Inc., an Alabama corporation ("U.S. Pipe", and such shares the "U.S. Pipe Shares"), which represents 100% of the issued and outstanding capital stock of U.S. Pipe; and

WHEREAS, immediately prior to the consummation of the Merger, Walter wishes to contribute to HoldCo, and HoldCo wishes to accept the contribution of, the U.S. Pipe Shares (the "Contribution").

WHEREAS, the Contribution is intended to qualify as a reorganization described in Section 368(a)(1)(F) of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Contribution and Assignment. Effective immediately prior to the consummation of the Merger, Walter hereby contributes, delivers and assigns to HoldCo, and HoldCo hereby accepts the contribution, delivery and assignment of, all of the right, title and interest of Walter in and to the U.S Pipe Shares free and clear of all liens.

SECTION 2. Consideration. In exchange for the Contribution, HoldCo hereby issues to Walter one share of HoldCo's common stock, par value $0.01 per share, which represents 100% of the issued and outstanding capital stock of HoldCo.

SECTION 3. Certificates. Concurrently with the consummation of the Contribution, Walter shall deliver to HoldCo a certificate representing the U.S. Pipe Shares, duly endorsed for transfer.

SECTION 4. Third Party Beneficiaries. The Contribution is for the sole benefit of Walter and HoldCo and their successors and assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 5. Reasonable Best Efforts. Subject to the terms and conditions of this Agreement, each party will use its reasonable best efforts to take, or cause to be taken, all

actions and to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement.

SECTION 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York applicable to agreements made and to be performed entirely within such state.

SECTION 7. Further Action. In addition to this Agreement, the parties hereto shall execute, acknowledge and deliver without further consideration, any documents or instruments as may be reasonably required, including without limitation, further assignments or conveyances required by any state or federal authority, deeds and consents, to further evidence the Contribution.

SECTION 8. Severability. If any one or more provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions hereof.

SECTION 9. Interpretation; Capitalized Terms. Titles and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "herein," "hereof" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement.

SECTION 10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Rest of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

WALTER INDUSTRIES, INC.

By: _____
Name: Victor P. Patrick
Title: Senior Vice President, General Counsel and Secretary

MUELLER HOLDING COMPANY, INC.

By: _____
Name: Joseph J. Troy
Title: President

OMB NO. 2502-0265

A. U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT **SETTLEMENT STATEMENT**	B. TYPE OF LOAN 1. ☐ FHA 2. ☐ FmHA 3. ☐ CONV. UNINS. 4. ☐ VA 5. ☐ CONV. INS. 6. FILE NUMBER: PTA108798 7. LOAN NUMBER 8. MORTGAGE INS CASE NUMBER

C. *NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(POC)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.*

1.0 3/98 (PTA108798.PFD/PTA108798/19)

D. NAME AND ADDRESS OF BORROWER	E. NAME AND ADDRESS OF SELLER	F. NAME AND ADDRESS OF LENDER
Gateway View, LLC Pipe Properties, LLC P. O. Box 6308 Chattanooga, TN 37401	United States Pipe and Foundry Company, LLC 3300 First Avenue North P. O. Box 10406 Birmingham, AL 35202	

G. PROPERTY LOCATION	H. SETTLEMENT AGENT 62-1138628 Pioneer Title Agency, Inc. PLACE OF SETTLEMENT 513 Georgia Avenue Chattanooga, TN 37403	I. SETTLEMENT DATE
See Exhibit "A" Chattanooga, TN Hamilton County, Tennessee		August 31, 2006

J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		**400. GROSS AMOUNT DUE TO SELLER:**	
101. Contract Sales Price	500,000.00	401. Contract Sales Price	500,000.00
102. Personal Property	4,221,980.00	402. Personal Property	4,221,980.00
103. Settlement Charges to Borrower (Line 1400)	2,203.00	403.	
104.		404.	
105.		405.	
Adjustments For Items Paid By Seller in advance		*Adjustments For Items Paid By Seller in advance*	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109. UST Regis. fee 8-31-06/7-31-07	686.75	409. UST Regis. fee 8-31-06/7-31-07	686.75
110.		410.	
111. Landfill Property	10.00	411. Landfill Property	10.00
112. Noncompetition Agreement	10.00	412. Noncompetition Agreement	10.00
120. GROSS AMOUNT DUE FROM BORROWER	4,724,889.75	*420. GROSS AMOUNT DUE TO SELLER*	4,722,686.75
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		**500. REDUCTIONS IN AMOUNT DUE TO SELLER:**	
201. Deposit or earnest money	450,000.00	501. Excess Deposit (See Instructions)	
202. Principal Amount of New Loan(s)		502. Settlement Charges to Seller (Line 1400)	8,498.60
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first Mortgage	
205.		505. Payoff of second Mortgage	
206.		506.	
207.		507. (Deposit disb. as proceeds)	
208.		508.	
209. Contractual adjustment	100,000.00	509. Contractual adjustment	100,000.00
Adjustments For Items Unpaid By Seller		*Adjustments For Items Unpaid By Seller*	
210. City/town taxes 01/01/06 to 08/31/06	87,911.67	510. City/town taxes 01/01/06 to 08/31/06	87,911.67
211. County taxes 01/01/06 to 08/31/06	102,869.56	511. County taxes 01/01/06 to 08/31/06	102,869.56
212. Assessments to		512. Assessments to	
213. Retained Assets	770,013.00	513. Retained Assets	770,013.00
214. Billbrd lease 8-31-06/5-24-07	9,502.53	514. Billbrd lease 8-31-06/5-24-07	9,502.53
215.		515.	
216.		516.	
217.		517. 1993 delinquent storm water to City of Chattanooga	1,398.38
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER	1,520,296.76	*520. TOTAL REDUCT. AMT DUE SELLER*	1,080,193.74
300. CASH AT SETTLEMENT FROM/TO BORROWER:		**600. CASH AT SETTLEMENT TO/FROM SELLER:**	
301. Gross Amount Due From Borrower (Line 120)	4,724,889.75	601. Gross Amount Due To Seller (Line 420)	4,722,686.75
302. Less Amount Paid By/For Borrower (Line 220)	(1,520,296.76)	602. Less Reductions Due Seller (Line 520)	(1,080,193.74)
303. CASH (X FROM) (TO) BORROWER	3,204,592.99	*603. CASH (X TO) (FROM) SELLER*	3,642,493.01

HUD-1 (3-86) RESPA, HB4300.2

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

IN RE	
	Chapter 11
	Jointly Administered
HILLSBOROUGH HOLDINGS CORPORATION,	Case No. 89-9715-8P1
BEST INSURORS, INC.,	Case No. 89-9740-8P1
BEST INSURORS OF MISSISSIPPI, INC.,	Case No. 89-9737-8P1
COAST TO COAST ADVERTISING, INC.,	Case No. 89-9727-8P1
COMPUTER HOLDINGS CORPORATION,	Case No. 89-9724-8P1
DIXIE BUILDING SUPPLIES, INC.,	Case No. 89-9741-8P1
HAMER HOLDINGS CORPORATION,	Case No. 89-9735-8P1
HAMER PROPERTIES, INC.,	Case No. 89-9739-8P1
HOMES HOLDINGS CORPORATION,	Case No. 89-9742-8P1
JIM WALTER COMPUTER SERVICES, INC.,	Case No. 89-9723-8P1
JIM WALTER HOMES, INC.,	Case No. 89-9746-8P1
JIM WALTER INSURANCE SERVICES, INC.,	Case No. 89-9731-8P1
JIM WALTER RESOURCES, INC.,	Case No. 89-9738-8P1
JIM WALTER WINDOW COMPONENTS, INC.,	Case No. 89-9716-8P1
JW ALUMINUM COMPANY,	Case No. 89-9718-8P1
JW RESOURCES, INC.,	Case No. 90-11997-8P1
JW RESOURCES HOLDINGS CORPORATION,	Case No. 89-9719-8P1
J.W.I. HOLDINGS CORPORATION,	Case No. 89-9721-8P1
J.W. WALTER, INC.,	Case No. 89-9717-8P1
JW WINDOW COMPONENTS, INC.,	Case No. 89-9732-8P1
LAND HOLDINGS CORPORATION,	Case No. 89-9720-8P1
MID-STATE HOMES, INC.,	Case No. 89-9725-8P1
MID-STATE HOLDINGS CORPORATION,	Case No. 89-9726-8P1
RAILROAD HOLDINGS CORPORATION,	Case No. 89-9733-8P1
SLOSS INDUSTRIES CORPORATION,	Case No. 89-9743-8P1
SOUTHERN PRECISION CORPORATION,	Case No. 89-9729-8P1
UNITED LAND CORPORATION,	Case No. 89-9730-8P1
UNITED STATES PIPE AND FOUNDRY COMPANY,	Case No. 89-9744-8P1
U.S. PIPE REALTY, INC.,	Case No. 89-9734-8P1
VESTAL MANUFACTURING COMPANY,	Case No. 89-9728-8P1
WALTER HOME IMPROVEMENT, INC.,	Case No. 89-9722-8P1
WALTER INDUSTRIES, INC. and	Case No. 89-9745-8P1
WALTER LAND COMPANY,	Case No. 89-9736-8P1
Debtors.	

SUPPLEMENT TO DISCLOSURE STATEMENT FOR AMENDED JOINT PLAN OF REORGANIZATION DATED AS OF DECEMBER 9, 1994 (THE "CONSENSUAL PLAN", FORMERLY THE "CREDITORS' PLAN")

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.
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STUTMAN, TRIESTER & GLATT, P.C.
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(212) 326-3939

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
Counsel to Lehman Brothers Inc.
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STROOCK & STROOCK & LAVAN
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CARLTON, FIELDS, WARD, EMMANUEL, SMITH & CUTLER, P.A.
Counsel to KKR
One Harbour Place
Tampa, FL 33602
(813) 223-7000

THE AMENDED JOINT PLAN OF REORGANIZATION DATED AS OF DECEMBER 9, 1994 (THE "CONSENSUAL PLAN") WHICH IS THE SUBJECT OF THIS DISCLOSURE STATEMENT SUPPLEMENT MODIFIES THE "CREDITORS' JOINT PLAN OF REORGANIZATION DATED AS OF AUGUST 1, 1994" (THE "CREDITORS' PLAN"). ON AUGUST 2, 1994, THE BANKRUPTCY COURT APPROVED THE "DISCLOSURE STATEMENT FOR CREDITORS' PLAN DATED AS OF AUGUST 1, 1994" (THE "CREDITORS' DISCLOSURE STATEMENT"), WHICH WAS TRANSMITTED TO CREDITORS AND EQUITY HOLDERS ENTITLED TO VOTE ON THE CREDITORS' PLAN. THIS SUPPLEMENT TO DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT SUPPLEMENT") SHOULD BE CONSIDERED IN CONJUNCTION WITH THE CREDITORS' DISCLOSURE STATEMENT.

ON DECEMBER 9, 1994, THE CONSENSUAL PLAN AND THIS DISCLOSURE STATEMENT SUPPLEMENT WERE FILED WITH THE BANKRUPTCY COURT. PURSUANT TO AN ORDER DATED DECEMBER 15, 1994, THE BANKRUPTCY COURT DETERMINED THAT, WHEN TAKEN TOGETHER WITH THE CREDITORS'. DISCLOSURE STATEMENT, WHICH WAS PREVIOUSLY APPROVED BY THE BANKRUPTCY COURT, THIS DISCLOSURE STATEMENT SUPPLEMENT COMPLIES WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE. ALL CLAIMANTS ARE HEREBY ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT SUPPLEMENT AND THE CONSENSUAL PLAN IN THEIR ENTIRETY. CONSENSUAL PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT SUPPLEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE CONSENSUAL PLAN, THE CREDITORS' DISCLOSURE STATEMENT, OTHER EXHIBITS ANNEXED HERETO AND THERETO AND OTHER DOCUMENTS REFERENCED AS FILED WITH THE COURT PRIOR TO OR CONCURRENT WITH THE FILING OF THIS DISCLOSURE STATEMENT SUPPLEMENT. DELIVERY OF THIS DISCLOSURE STATEMENT SUPPLEMENT SHALL NOT CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN RESPECT OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT SUPPLEMENT AND THE DATE OF THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT SUPPLEMENT OR THE CREDITORS' DISCLOSURE STATEMENT.

NO REPRESENTATION IS MADE HEREIN REGARDING THE TRADING VALUE OR OTHER MARKET VALUE OF ANY SECURITY TO BE ISSUED PURSUANT TO OR IN CONNECTION WITH THE CONSENSUAL PLAN.

THIS DISCLOSURE STATEMENT SUPPLEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTIONS 1125 AND 1127(C) OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NONBANKRUPTCY LAW. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT SUPPLEMENT AND THE CONSENSUAL PLAN ONLY IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THIS DISCLOSURE STATEMENT SUPPLEMENT HAS NEITHER BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SUPPLEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

THIS DISCLOSURE STATEMENT SUPPLEMENT SHALL NOT BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE PROPONENTS OR ANY OTHER PARTY NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS.

TABLE OF CONTENTS

INDEX OF EXHIBITS

UNLESS OTHERWISE INDICATED HEREIN, CAPITALIZED TERMS NOT DEFINED HEREIN SHALL HAVE THE MEANING ASCRIBED TO THEM IN THE CONSENSUAL PLAN OR, IF NOT DEFINED IN THE CONSENSUAL PLAN, IN THE CREDITORS' DISCLOSURE STATEMENT.

I. INTRODUCTION

This Supplement to Disclosure Statement For Amended Joint Plan of Reorganization Dated as of December 9, 1994 (the "Consensual Plan", formerly the "Creditors' Plan") (the "Supplement") supplements the Disclosure Statement for Creditors' Plan dated as of August 1, 1994 (the "Creditors' Disclosure Statement"). The Supplement is submitted jointly by the proponents of the Consensual Plan (the "Consensual Plan Proponents") pursuant to Sections 1125 and 1127(c) of Title 11 of the United States Code, 11 U.S.C. Section 101, *et seq.* (the "Code"). The Consensual Plan has been filed with the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the "Court") in connection with the Debtors' pending Chapter 11 Cases.

The Consensual Plan amends the Creditors' Plan to include the terms of a settlement reached among: (i) the proponents of the Creditors' Plan (the "Creditor Proponents"), consisting of the Creditors Committee, the Bondholders Committee, Apollo, Lehman Brothers Inc. and the Ad Hoc Committee of Pre-LBO Bondholders; (ii) the Debtors; (iii) KKR; and (iv) representatives of the Veil Piercing Claimants. The Debtors and KKR have agreed not to pursue confirmation of the Debtors' Fifth Amended Plan of Reorganization dated as of July 25, 1994 (the "Debtors' Plan"), but instead to become Consensual Plan Proponents with the Creditor Proponents. KKR and senior management shareholders of Walter Industries have represented that they intend to change their votes as Holders of Class E-1 Interests so as to accept the Consensual Plan.

Voting on the Creditors' Plan and the Debtors' Plan took place from August 12, 1994 through September 23, 1994. All Classes of Claims and Interests that were characterized as impaired under the Creditors' Plan, other than Class E-1 and seven Classes of Other Unsecured Claims (which rejecting creditor classes consist principally of professionals hired by the Debtors and present management and directors of the Debtors) voted to accept the Creditors' Plan. Under Section 1127(d) of the Code, each holder of a claim or interest that has accepted or rejected the Creditors' Plan is deemed to have accepted or rejected, as the case may be, the Creditors' Plan as it has been modified to become the Consensual Plan unless, within the time fixed by the Court, such holder changes such holder's previous acceptance or rejection. Classes of Claims that accepted the Creditors' Plan and whose treatment is not adversely changed in the Consensual Plan will be deemed to have accepted the Consensual Plan, without any provision for changing votes previously cast. See "Option for Holders of Claims and Interests in Certain Classes to Change Vote on Creditors' Plan on or Prior to January 24, 1995."

In addition, although the Consensual Plan characterizes Class U-7 (Settlement Claims, i.e., Veil Piercing Claims and claims based on or arising from LBO-Related Issues raised or assertable by Veil Piercing Claimants) as being unimpaired (on the basis that Class U-7 is being treated in accordance with the Second Amended and Restated Veil Piercing Settlement Agreement), the Consensual Plan Proponents are nevertheless affording Holders of Class U-7 Claims the opportunity to complete and return ballots upon which they may cast a vote to accept or reject the Consensual Plan. See "Voting on Consensual Plan by Holders of Settlement Claims."

A. Settlement Reached Among Representatives of Bondholders Committee, Apollo, Lehman Brothers Inc., Debtors, KKR and Veil Piercing Claimants

On October 17, 1994, the Court commenced the trial of certain preliminary issues relating to the then-pending Debtors' Plan and Creditors' Plan. On October 20, 1994, representatives of the Bondholders Committee, Apollo, Lehman Brothers Inc., the Debtors, KKR and the Veil Piercing Claimants reached an agreement in principle on the terms of an amendment to the Creditors' Plan (now embodied in the Consensual Plan) and an amendment to the Amended and Restated Veil Piercing Settlement Agreement (now embodied in the Second Amended and Restated Veil Piercing Settlement Agreement dated as of

November 22, 1994) that would resolve their disputes regarding plan confirmation. The terms of the settlement were read into the record (but placed under seal) on the same day, and the Court thereupon adjourned the hearings that had begun on October 17, 1994, pending efforts to document the settlement.

The principal terms of the settlement, which are discussed more fully below under "MATERIAL AMENDMENTS TO CREDITORS' PLAN CONTAINED IN CONSENSUAL PLAN" are as follows:

- The Debtors and KKR join with the Creditor Proponents as co-proponents of the Consensual Plan.
- The Allowed Claim of the Veil Piercing Claimants is reduced from $450 million to $375 million.
- The Negotiated Enterprise Value is increased from $2.525 billion to $2.6 billion (and the New Common Stock Value is fixed at $2.6 billion, less the sum of $902 million and the aggregate principal amount of Qualified Securities distributed pursuant to the Consensual Plan), except that the New Common Stock used to satisfy a part of the $375 million Veil Piercing Claims Amount will be calculated so as to prevent any dilution that would otherwise have resulted from the increase in the Negotiated Enterprise Value.
- If Holders of Old Common Stock Interests (Class E-1) accept the Consensual Plan, then such Holders will receive their Pro Rata share of shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the sum of:
  - (a) Approximately $75 million as a result of the decrease in the Allowed Claim of the Veil Piercing Claimants;
  - (b) Approximately $75 million as a result of the increase in the Negotiated Enterprise Value from $2.525 billion to $2.6 billion;
  - (c) The extent by which Federal Income Tax Claims are reduced to below $27 million in the aggregate (the Creditors' Disclosure Statement estimated these claims at $27 million for purposes of estimating the amount of Senior Claims at December 31, 1993 (which were estimated at $902 million), whereas the Debtors' Disclosure Statement estimated these claims at $14 million); and
  - (d) The amount of the tax benefits claimed as a deduction or a refund by the Debtors as a result of distributions made pursuant to the Veil Piercing Settlement (such shares to initially be placed into escrow and released to Holders of Class E-1 Interests only when, as and if such claimed deductions or refunds are actually realized), but limited to an amount that, when added to (a)-(c) above, does not exceed $250 million; *provided, however,* that $11.3 million of such New Common Stock will be distributed directly to Holders of Class E-1 Interests not later than 180 days after the Effective Date, regardless of whether any tax benefits have been claimed or realized.
- The initial board of directors of Walter Industries (serving for a three-year term) will be initially designated as follows:
  - (a) One KKR designee;
  - (b) Three Lehman Brothers Inc. designees;
  - (c) Three members of senior management (Messrs. Walter, Durham and Matlock); and
  - (d) Two Independent Directors selected by existing management from a list prepared by an independent executive search firm.
- There will be only one class of common stock of reorganized Walter Industries, with each share entitled to one vote.

- The following amendments have been made to the Veil Piercing Settlement Agreement:

  (a) The Allowed Claim of the Veil Piercing Claimants is reduced from $450 million to $375 million.

  (b) The amount of the New Common Stock to be received by the Celotex Settlement Fund Recipient under the Veil Piercing Settlement Agreement is calculated based upon a $2.525 billion Negotiated Enterprise Value so that such recipient will be unaffected by the $75 million increase in the Negotiated Enterprise Value (the effect of this will be to nominally dilute the percentage of New Common Stock to be distributed to other Classes; See "DESCRIPTION OF MATERIAL AMENDMENTS TO CREDITORS' PLAN CONTAINED IN CONSENSUAL PLAN — Allocation of Initial Issuance of 50 Million Shares of New Common Stock on the Effective Date."

  (c) The Debtors and KKR agree to support the request by Caplin and Drysdale, one of the law firms representing the Veil Piercing Claimants, for an award from the Debtors of $15 million in attorneys' fees on behalf of Caplin & Drysdale and the other Claimants' Attorneys. To the extent that the Court awards less than $15 million, the settlement distribution to the Celotex Settlement Fund Recipient will include a cash payment equal to this differential.

  (d) The Debtors, KKR and existing senior management shareholders will become signatories to, and receive the benefits of, the Second Amended and Restated Veil Piercing Settlement Agreement and Walter Industries and the Bondholders Committee will cooperate in good faith to insure that such agreement results in finality with respect to all past, present and future asbestos litigation. The procedures to be followed in pursuing finality will include those specifically described in the amended agreement.

- In connection with the final settlement of all Pre-LBO Issues and the dismissal with prejudice of the pending fraudulent transfer lawsuit instituted by the Indenture Trustees for the Pre-LBO Debenture Claims, if Class U-6 accepts the Consensual Plan and if the existing Pre-LBO Bondholders Settlement Agreement expires by its terms as contemplated (because the Confirmation Order will not have been entered on or before December 31, 1994), the recovery to Class U-6 will be increased by the issuance of New Common Stock having an aggregate New Common Stock Value Per Share equal to $11.3 million, consisting of

  (a) $6.3 million, representing the estimated amount by which the Allowed Amount of the Series B & C Senior Note Claims is reduced by paying part of these claims in cash rather than by the issuance of New Senior Notes as permitted under the Series B & C Senior Note Claim Election; and

  (b) $5 million, representing the savings that are estimated to result from the agreement of Apollo and Lehman Brothers Inc., as part of the Consensual Plan only, not to file administrative expense claims which had been estimated at $5 million in the aggregate.

B. Events Preceding The Settlement

1. Competing Debtor and Creditor Plans

Since mid-May 1994, the Debtors and the Creditor Proponents have been the only proponents actively pursuing competing plans of reorganization. On August 2, 1994, the Court approved, under Section 1125 of the Code, (i) the Creditors' Disclosure Statement and related ballots and solicitation materials, and (ii) the Debtors' Fifth Amended Disclosure Statement dated as of July 25, 1994 (the "Debtors' Disclosure Statement") relating to the Debtors' Plan, and related ballots and solicitation materials.

In connection with the confirmation process for the Creditors' Plan and the Debtors' Plan, the Court scheduled a hearing to commence on October 17, 1994 to consider three preliminary items: (i) the contested matter filed by the Debtors asserting that unsecured creditors are not entitled to post-petition interest on account of their Claims and any response or motion filed by the Creditor Proponents with respect to the issue of post-petition interest; (ii) the application by the Creditor Proponents seeking approval of the Amended and

Restated Veil Piercing Settlement Agreement and the Debtors' motion to void that agreement; and (iii) any properly asserted challenges or objections to the vote of any party on either plan. Extensive discovery was taken on these issues during August, September and the first half of October 1994. The Court also scheduled a status conference for November 16, 1994 for the purpose of scheduling the date on which the confirmation hearing would begin.

2. Balloting Results

Disclosure statements, ballots and other solicitation materials with respect to the Debtors' Plan and the Creditors' Plan were mailed to creditors and interest holders on August 12, 1994, and ballots were required to be returned no later than September 23, 1994. The balloting results for the Creditors' Plan and the Debtors' Plan were as follows:

- 98 classes of creditors accepted the Creditors' Plan.
- One class of interest holders (Class E-1) and seven unsecured creditor classes (subclasses within Class U-3 (collectively, the "Non-Accepting U-3 Debtor Classes"))[1] rejected the Creditors' Plan.
- 99 classes preferred the Creditors' Plan over the Debtors' Plan.
- No class of creditors accepted the Debtors' Plan; 74 creditor classes rejected the Debtors' Plan.
- One class of interest holders accepted the Debtors' Plan (Class E-1).
- Seven classes of creditors (subclasses within Class U-3) preferred the Debtors' Plan over the Creditors' Plan.

3. Debtors' Motion Challenging Ballots and Seeking Invalidation of the Balloting Process

On October 6, 1994, the Debtors filed a motion with the Court requesting that the ballots cast by every member of the Creditors Committee, the Bondholders Committee, and the Ad Hoc Committee of Pre-LBO Bondholders (a total of 26 creditors) be designated under Section 1126(e) of the Code and excluded from the computation of the vote on the Debtors' Plan and the Creditors' Plan, and also sought to invalidate the voting process as a whole and require a resolicitation of votes, based on various theories, including alleged improprieties by certain Creditor Proponents. The Creditor Proponents and others filed objections or responses in opposition to this motion. This matter was one of the matters set for trial at the hearings scheduled to commence on October 17, and would be resolved by the settlement and the releases to be exchanged under the Consensual Plan.

4. Creditor Proponents' and Debtors' Motions Regarding Post-Petition Interest

On September 9, 1994, the Creditor Proponents filed a motion seeking a determination that (i) unsecured creditors are entitled to post-petition interest before interest Holders may receive any distribution under a chapter 11 plan for the Debtors, and (ii) it is permissible for a chapter 11 plan for the Debtors to provide for post-petition interest to unsecured creditors before any distribution to interest Holders. The hearing on this motion, and on the Debtors' proceeding seeking a determination that unsecured creditors in these cases are not entitled to post-petition interest, was also part of the October 17 hearings and would be resolved by the settlement under the Consensual Plan.

5. Litigation Regarding Veil Piercing Settlement and Settlement Claims

a. Motions Regarding Approval of Veil Piercing Settlement

On September 8, 1994, the Creditor Proponents filed a motion with the Court for an order approving the Amended and Restated Veil Piercing Settlement Agreement. On August 5, 1994, the Debtors filed a motion

[1] These subclasses consist of Class U-3 Claims against Hillsborough Holdings Corporation, Walter Home Improvement, Inc., Mid-State Homes, Inc., United Land Corporation, Walter Land Company, Walter Industries, Inc. and Jim Walter Homes, Inc.

seeking to have that settlement agreement voided. The Creditor Proponents filed a response to this motion on October 12, 1994. Among the arguments made by the Debtors in their motion is the argument that, because the Settlement Claims (i.e., Veil Piercing Claims and claims based on or arising from LBO-Related Issues raised or assertable by Veil Piercing Claimants) were found by the Court to have no merit, and because, according to the Debtors and KKR, unsecured creditors are not legally entitled to receive post-petition interest in these Chapter 11 Cases, the Debtors' shareholders would be entitled to receive all of the value in the Debtors in excess of the Allowed prepetition Claims of all Unsecured Creditors (the Debtors estimated this value to be in excess of $600 million using a $2.805 billion enterprise value) and that, therefore, the settlement reached by the Creditor Proponents improperly and unreasonably distributed value to the Veil Piercing Claimants that allegedly belonged to the shareholders. Those arguments were among the matters scheduled to be heard at the October 17 hearings, and would be resolved by the settlement under the Consensual Plan.

b. District Court Affirmance of Court's Decision Against Certain Veil Piercing Claimants In Declaratory Judgment Proceeding

In its opinion dated April 18, 1994, the Court had determined, in the Declaratory Judgment Proceeding filed by the Debtors against certain parties asserting Settlement Claims against the Debtors, that such claims lacked merit. The defendants in that action had appealed that determination to the District Court for the Middle District of Florida (the "District Court").

On October 13, 1994, the District Court affirmed the Court's decision in favor of the Debtors in the Declaratory Judgment Proceeding. On or about November 14, 1994, representatives of the Veil Piercing Claimants filed a timely notice of appeal of the District Court's decision. A copy of the District Court's 71-page opinion can be obtained by making a request therefor to the Balloting Agent at the address or telephone number set forth in Section I.C. below. Counsel for the defendants in the Declaratory Judgment Proceeding have stated that, absent the settlement, they intend to pursue their appeal of the District Court's ruling. Absent a settlement, the Debtors would oppose the appeal and seek a final affirmance of the determination by the Court and the District Court that the Settlement Claims are without merit.

c. Dismissal of Celotex Declaratory Judgment Action

On April 28, 1994, the Debtors filed a complaint for declaratory relief against Celotex in the Celotex Chapter 11 Proceeding (the "Celotex DJ Action") which sought a determination that (i) Celotex alone has standing to assert Settlement Claims against any of the Debtors, and (ii) all creditors of Celotex are bound by the outcome of the Court's decision in the Declaratory Judgment Proceeding. Following a hearing held on October 13, 1994, the Celotex Bankruptcy Court dismissed without prejudice the Debtors' request for declaratory relief in the Celotex DJ Action, on the grounds that it failed to state a case or controversy and that it failed to join necessary parties (the individual Veil Piercing Claimants who do not agree that Celotex has sole standing to assert Settlement Claims). The Celotex Bankruptcy Court granted the Debtors until December 22, 1994 to file an amended complaint, and if such an amended complaint is filed, fixed January 20, 1995 as the last date by when the named defendants shall be permitted to file their answers or other responsive pleadings to the amended complaint.

6. Adversary Proceeding Commenced by KKR *et al.*, against Apollo, Leon Black *et al.*

On September 8, 1994, KKR, certain affiliates of KKR and certain Debtors instituted an adversary proceeding (Adv. Pro. No. 94-562) against Apollo (a proponent of the Creditors' Plan) and certain affiliated entities and individuals (the "KKR-Apollo Action"). The KKR-Apollo Action asserts claims based on the alleged misuse of certain information allegedly obtained by certain individuals affiliated with Apollo from KKR and certain Debtors prior to the filing of these Chapter 11 Cases. The KKR-Apollo Action seeks various forms of relief, including a reduction in the allowed amount of the Subordinated Note Claims held by Apollo to the consideration paid therefor and the recovery of any profits made by Apollo on its Subordinated Note Claims. The time by which an answer must be filed has been extended, and an answer denying all of the substantive allegations of the complaint will be filed within the applicable time period. The Consensual Plan

provides that the KKR-Apollo Action will be dismissed with prejudice, and the parties thereto will exchange mutual releases.

7. October 17, 1994 Hearing; Negotiation of Settlement

On October 17 and 18, 1994, the Court heard evidence on the issue of whether unsecured creditors are entitled to, or may receive, post-petition interest before any distribution to interest holders under a chapter 11 plan for the Debtors. On October 18, 1994, the Court began hearing evidence regarding the approval of the Amended and Restated Veil Piercing Settlement Agreement. On the morning of October 19, 1994, the Court advised counsel of the Court's view that the issues under consideration could and should be consensually resolved, and held separate meetings with representatives of each of the Debtors, KKR, Apollo, counsel to the Bondholders Committee and the Veil Piercing Claimants. At the conclusion of these individual meetings, the parties agreed to attempt to reach a consensual resolution and the hearing was adjourned temporarily to give them an opportunity to do so. The parties, consisting primarily of representatives of each of Apollo, Lehman Brothers Inc., the Bondholders Committee, the Veil Piercing Claimants and Walter Industries and KKR, spent the remainder of October 19, 1994 and most of the morning of October 20, 1994 negotiating a potential settlement. At mid-afternoon on October 20, 1994 these parties reached a consensus in principle on the terms of a proposed settlement and reported those terms to the Court under seal and to representatives of the other creditor constituencies. Thereafter, the settlement was documented in the form of a modification of the Creditors' Plan to become the Consensual Plan, and a modification of the Amended and Restated Veil Piercing Settlement Agreement to become the Second Amended and Restated Veil Piercing Settlement Agreement.

C. Option for Holders of Claims and Interests in Certain Classes to Change Vote on Creditors' Plan on or Prior to January 24, 1995

Pursuant to Section 1127(d) of the Code, a Holder's vote cast to accept or reject the Creditors' Plan shall be deemed binding on such Holder with respect to the Consensual Plan (which represents a modification of the Creditors' Plan), except to the extent that a previous acceptance or rejection is permitted to be changed and is changed by such Holder within the time fixed by the Court. Under Bankruptcy Rule 3019, if the Court finds that the Consensual Plan does not adversely change the treatment provided under the Creditors' Plan of the claim of any creditor or the interest of any equity security holder, the Consensual Plan will be deemed accepted by all such creditors and equity security holders who had previously accepted the Creditors' Plan.

The modification of the Creditors' Plan contained in the Consensual Plan does not adversely change the treatment or consideration to be afforded to Holders of Other Unsecured Claims, including Creditors in the 26 Classes of Other Unsecured Claims that accepted the Creditors' Plan (*i.e.*, the Classes of Class U-3 Claims other than the Non-Accepting U-3 Debtor Classes; hereinafter the "Accepting Other Unsecured Classes"). As a result, the Court has ordered that the Consensual Plan is deemed accepted by all Creditors in the Accepting Other Unsecured Classes who voted to accept the Creditors' Plan.

The distribution on account of Claims in Classes S-1 (Revolving Credit Bank Claims), S-2 (Working Capital Bank Claims), S-6 (Series B & C Senior Note Claims), U-4 (Senior Subordinated Note Claims), U-5 (17% Subordinated Note Claims) and U-6 (Pre-LBO Debenture Claims) (the "Voting Creditor Classes") is reduced by the modification of the Creditors' Plan contained in the Consensual Plan, because the allocation of New Common Stock to each of those classes has been changed from the allocation contained in the Creditors' Plan. Although this reallocation affects the Voting Creditor Classes in varying degrees, it generally has the effect of reducing the percentage of the New Common Stock to be received by each of the Voting Creditor Classes, as a result of the distribution to Holders of Old Common Stock Interests of the approximately $75 million of New Common Stock resulting from the increase in the Negotiated Enterprise Value, and the fact that the number of shares of New Common Stock to be issued to Class U-7 is calculated under the Consensual Plan so as to avoid any dilution that would otherwise occur as a result of such increase in the Negotiated Enterprise Value and such share issuance to Holders of Old Common Stock Interests. The Consensual Plan also changes the treatment of Old Common Stock Interests (Class E-1) to provide for the allocation of specified amounts of New Common Stock (including the aforementioned amount) to Class E-1.

The Consensual Plan also changes the treatment of Class U-6 to provide for the allocation of an additional amount ($11.3 million) of New Common Stock if, among other things, Class U-6 accepts the Consensual Plan; however, after considering the reallocation of New Common Stock described above, the net effect of the modification of the Creditors' Plan contained in the Consensual Plan on Class U-6 is adverse.

The Court has ordered that each Holder of a Claim or Interest in any of the Voting Creditor Classes, the Non-Accepting U-3 Debtor Classes and in Class E-1 (collectively, the "Resolicitation Classes") who voted to accept or reject the Creditors' Plan will have an opportunity to change its vote under Section 1127(d) of the Code in light of the modification to the Creditors' Plan contained in the Consensual Plan, within a time fixed by the Court. In particular, any Holder of a Claim or Interest in the Resolicitation Classes that accepted or rejected the Creditors' Plan will be deemed to have accepted or rejected, as the case may be, the Consensual Plan, unless such Holder changes such Holder's previous acceptance or rejection by returning a properly completed Vote Change Certification to the Balloting Agent in accordance with the following deadlines:

Each record holder of a claim or interest in any of the Resolicitation Classes who is also the beneficial owner thereof and who voted on the Creditors' Plan is required to transmit the applicable Vote Change Certification to the Balloting Agent, so as to be actually received by the Balloting Agent, on or before 5:00 p.m. Eastern Time, on January 24, 1995 (the "Vote Change Deadline").

The beneficial owners of securities held through Record Holder Nominees are required to transmit the applicable Vote Change Certification to their respective Record Holder Nominee so as to be received by the beneficial owners' Record Holder Nominee on or before January 19, 1995 at 5:00 p.m. Eastern Time. Master Vote Change Certifications completed by Record Holder Nominees must be forwarded so as to be received by the Balloting Agent on or before the Vote Change Deadline.

Any attempted vote change received after the applicable deadline set forth above will not be counted. If you voted to accept or reject the Creditors' Plan and have not received a Vote Change Certification form, please contact the Balloting Agent immediately. The Balloting Agent's address and phone number are as follows:

If by Mail:	*If by Courier or Hand:*
Donlin, Recano & Company, Inc. P.O. Box 2022 Murray Hill Station New York, NY 10156-0701	Donlin, Recano & Company, Inc. 419 Park Avenue South Suite 206 New York, NY 10016

Telephone: 1-800-489-7444

The Consensual Plan Proponents believe that because only a small portion of the distribution to Classes S-1, S-2, and S-6 under the Consensual Plan consists of New Common Stock, the effect on those three Classes of the modification of the Creditors' Plan contained in the Consensual Plan is sufficiently *de minimus* that the modification does not "adversely change" their treatment within the meaning of Bankruptcy Rule 3019, and that, having accepted the Creditors' Plan, those three Classes should be deemed to have accepted the Consensual Plan. Although Creditors in those three Classes are being given an opportunity to change their votes, that opportunity is without prejudice to the ability of the Consensual Plan Proponents to argue that those three Classes are so minimally affected by the plan modification that they should be deemed to have accepted the Consensual Plan.

The Creditors' Plan also provided for certain elections to be made by the Holders of Series B & C Senior Note Claims, Subordinated Note Claims, and Other Unsecured Claims.[2] The Consensual Plan provides that such elections are binding and does not provide for an opportunity to change any such elections at any time.

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[2] See "INTRODUCTION — Summary — Other Ballot Elections" at pp. 11-12 of the Creditors' Disclosure Statement. Unlike the Creditors' Plan, the Consensual Plan does not provide for the Series B & C Senior Note Claim Election or the Subordinated Note Claim Election to be reconducted if the Effective Date does not occur prior to December 31, 1994.

D. Election for Holders of Class U-4 Claims that Made the Subordinated Note Claim Election to Receive Qualified Securities

The Consensual Plan provides for a new election regarding distributions to Class U-4. The election can be made only by completing the election form transmitted with this Supplement and returning it to the Balloting Agent by the Vote Change Deadline.

Under the "Class U-4 Exchange Election", Holders of Senior Subordinated Note Claims (Class U-4) that had elected to receive all or part of their Class U-4 Claims in Qualified Securities pursuant to the Subordinated Note Claim Election under the Creditors' Plan (other than Lehman Brothers Inc.) (the "Electing Class U-4 Holders") will be entitled to "exchange" their pro rata share of New Common Stock having an aggregate New Common Stock Value Per Share of $39.4 million that they otherwise would have received on account of their Class U-4 Claims (unless a lesser principal amount of Qualified Securities is sufficient to satisfy all Class U-4 Subordinated Note Claim Elections for Qualified Securities, in which event such lesser amount shall apply), for an identical aggregate principal amount of Qualified Securities that would otherwise have been issued to Lehman Brothers Inc. on the Effective Date in respect of the Class U-4 Claim held by Lehman Brothers Inc., with any New Senior Notes that would otherwise have been so issued to Lehman Brothers Inc. to be reallocated before any Cash that would otherwise have been so distributed is reallocated.

E. Voting on Consensual Plan by Holders of Settlement Claims

Although the Consensual Plan characterizes the Settlement Claims (Class U-7) as not being impaired under the Consensual Plan, the Consensual Plan Proponents are nevertheless affording to Holders of Settlement Claims in Class U-7 (Veil Piercing Claimants) the opportunity to complete and return ballots upon which they may cast a vote to accept or reject the Consensual Plan. Holders of Class U-7 Claims did not vote on the Creditors' Plan, nor on the Debtors' Plan (which did not provide for a recovery or a class in respect of Settlement Claims). Holders of Class U-7 Claims are being given an opportunity to vote on the Consensual Plan as a precautionary measure, so that if the position of the Consensual Plan Proponents that Class U-7 Claims are unimpaired under the Consensual Plan is challenged, such a challenge could be rendered moot if Class U-7 votes on and accepts the Consensual Plan.

The Court has ordered that, solely for purposes of voting on the Consensual Plan: (i) each individual or entity voting in Class U-7 must certify in the appropriate space on the Class U-7 Ballot either that it holds a Class U-7 Claim, or that it is authorized to vote on behalf of a Class U-7 Claimant that has certified that it holds a Class U-7 Claim; (ii) each Holder of a Class U-7 Claim is deemed to be added to the Debtors' Schedule of Assets and Liabilities as a creditor holding a Claim in the amount of one dollar ($1.00); and (iii) each such Class U-7 Claim is deemed provisionally to be an Allowed Claim in the amount of one dollar ($1.00) against each Debtor for purposes of voting on the Consensual Plan.

The affording of Class U-7 Claims the opportunity to cast a vote to accept or reject the Consensual Plan is without prejudice to the right of the Consensual Plan Proponents to assert, as they have asserted, that Class U-7 Claims are not impaired under the Consensual Plan.

HOLDERS OF CLASS U-7 CLAIMS ALSO MAY OBTAIN OR REVIEW A COPY OF THE CREDITORS' DISCLOSURE STATEMENT THAT WAS TRANSMITTED TO HOLDERS OF CLAIMS AND INTERESTS THAT VOTED ON THE CREDITORS' PLAN. HOLDERS OF CLASS U-7 CLAIMS ARE ENCOURAGED TO CAREFULLY READ THE CREDITORS' DISCLOSURE STATEMENT, AS SUPPLEMENTED BY THIS SUPPLEMENT. THE CREDITORS' DISCLOSURE STATEMENT MAY BE REVIEWED WEEKDAYS FROM 9:00 A.M. TO 4:30 P.M. AT THE OFFICE OF THE CLERK OF THE COURT FOR THE U.S. BANKRUPTCY COURT FOR THE MIDDLE DISTRICT OF FLORIDA, TAMPA DIVISION, LOCATED AT 4921 MEMORIAL HIGHWAY, TAMPA, FLORIDA 33634, AND A COPY OF THE CREDITORS' DISCLOSURE STATEMENT WILL BE MAILED FREE OF CHARGE TO ANY PERSON THAT MAKES A REQUEST THEREFOR BY MAIL OR TELEPHONE TO THE BALLOTING AGENT AT: DONLIN, RECANO & COMPANY,

INC., P.O. BOX 2022, MURRAY HILL STATION, NEW YORK, NY 10156-0701, TELEPHONE 1-800-489-7444. ALTHOUGH HOLDERS OF CLASS U-7 CLAIMS ARE ENCOURAGED TO REVIEW THOSE DOCUMENTS IN THEIR ENTIRETY, THE CONSENSUAL PLAN PROPONENTS BELIEVE THAT THE FOLLOWING SECTIONS OF THE CREDITORS' DISCLOSURE STATEMENT ARE PARTICULARLY RELEVANT TO HOLDERS OF CLASS U-7 CLAIMS: "INTRODUCTION — LITIGATION OF VEIL PIERCING PROCEEDINGS" (PAGES 25-29); "OVERVIEW OF THE CREDITORS' PLAN — SPECIAL FEATURES OF THE CREDITORS' PLAN — SETTLEMENT OF THE VEIL PIERCING/FRAUDULENT CONVEYANCE ISSUES AND OTHER ISSUES" (PAGES 38-50); AND "— DISTRIBUTION OF COMBINATION OF QUALIFIED SECURITIES AND NEW COMMON STOCK TO HOLDERS OF SUBORDINATED NOTE CLAIMS AND TO VEIL PIERCING CLAIMANTS" (PAGES 50-73).

The procedure for Holders of Class U-7 Claims to cast a vote to accept or reject the Consensual Plan is as follows:

Each holder of a claim in Class U-7 is required to transmit a completed and executed Class U-7 Ballot to the Balloting Agent, so as to be actually received by the Balloting Agent, on or before 5:00 p.m. Eastern Time, on February 22, 1995 (the "Class U-7 Voting Deadline"). Any Class U-7 Ballot received after the Class U-7 Voting Deadline set forth above will not be counted. If you believe that you hold a Claim in Class U-7 and have not received a Class U-7 Ballot, please contact the Balloting Agent immediately. The Balloting Agent's address and phone number are as follows:

If by Mail:	*If by Courier or Hand:*
Donlin, Recano & Company, Inc.	Donlin, Recano & Company, Inc.
P.O. Box 2022	419 Park Avenue South
Murray Hill Station	Suite 206
New York, NY 10156-0701	New York, NY 10016

Telephone: 1-800-489-7444

F. Confirmation Hearing

The confirmation hearing on the Consensual Plan (the "Confirmation Hearing") has been scheduled to begin at 9:00 a.m. on March 1, 1995 and continuing, if necessary, through March 3, 1995, at the United States Bankruptcy Court for the Middle District of Florida, Tampa Division, 4921 Memorial Highway, Tampa, Florida 33634. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement of the adjournment made at the Confirmation Hearing. At the Confirmation Hearing, the Court will (i) determine whether the Consensual Plan has been accepted by the requisite majorities of each Voting Class after considering any permitted and timely vote changes, and whether Class U-7 has accepted the Consensual Plan by the requisite majority, (ii) hear and determine any objections to Confirmation of the Consensual Plan, (iii) determine whether the Consensual Plan meets the requirements of the Code, (iv) determine whether the conditions to Confirmation have occurred, have been satisfied or have been waived, (v) determine whether to approve the Second Amended and Restated Veil Piercing Settlement Agreement, and (vi) confirm or deny Confirmation of the Consensual Plan.

Objections to Confirmation of the Consensual Plan, if any, must be in writing and must be filed with the Court, and personally served upon the parties identified in the notice that accompanies this Supplement so that they are received by such parties, on or before 5:00 p.m., Eastern Time, on January 24, 1995 with respect to objections made by persons other than Holders of Class U-7 Claims (in their capacity as Holders of Class U-7 Claims), and on or before 5:00 p.m., Eastern Time, on February 22, 1995 with respect to Holders of Class U-7 Claims (in their capacity as Holders of Class U-7 Claims).

Objections to Confirmation of the Consensual Plan are governed by Bankruptcy Rule 9014 and Local Bankruptcy Rule 3.05.

G. Approval of Supplement to Disclosure Statement

This Supplement was filed with the Court on November 22, 1994 and amended on December 9, 1994. Pursuant to an order of the Court entered on November 22, 1994, a notice of the deadline for objecting to the Supplement and of the hearing thereon was transmitted to Creditors and Interest Holders and was published in various newspapers and journals. The Notice stated that, among other things, objections to the Supplement other than objections to disclosure therein regarding the Second Amended and Restated Veil Piercing Settlement Agreement were required to be in writing and were required to be filed with the Court, and personally served upon the parties identified in the notice so that they would be received by such parties, on or before 5:00 p.m. Eastern Time on December 12, 1994, and that objections to the Supplement based on disclosure therein regarding the Second Amended and Restated Veil Piercing Settlement Agreement were required to be in writing and were required to be filed with the Court, and personally served upon the parties identified in the notice so that they would be received by such parties, on or before 5:00 p.m. Eastern Time on December 14, 1994. Three objections were timely filed with respect to the Supplement. Two objections were filed by Holders of Subordinated Note Claims arguing, among other things, that the Subordinated Note Claim Election should be reconducted and that Holders of Subordinated Note Claims that did not make the Subordinated Note Claim Election should be able to make the Class U-4 Exchange Election. The third objection, filed by the Aetna Casualty and Surety Company, requested that disclosure be added regarding the possible appointment of a future asbestos claimants representative in the Celotex Chapter 11 Proceeding. At a hearing held on December 15, 1994, the Court overruled the two objections filed by Holders of Subordinated Note Claims, and approved certain language to be added to the Supplement in response to the Aetna objection. On December 15, 1994, the Court entered an order determining that, when taken together with the Creditors' Disclosure Statement, which was previously approved by the Court, the Supplement complies with the requirements of the Code.

II. DESCRIPTION OF MATERIAL AMENDMENTS TO CREDITORS' PLAN CONTAINED IN CONSENSUAL PLAN

The following is a summary of what, in the view of the Consensual Plan Proponents, are the material amendments to the Creditors' Plan that are contained in the Consensual Plan. These descriptions are summaries only, do not purport to be complete, and do not describe all changes contained in the Consensual Plan. Such summaries are qualified in their entirety by reference to the Consensual Plan and the exhibits thereto, a copy of which is attached as Exhibit I hereto.

A. Allocation of New Common Stock

The principal changes in the treatment of Claims and Interests effected by the modification of the Creditors' Plan contained in the Consensual Plan relate to the allocation of New Common Stock, and include the following: (i) the increase by $75 million of the Negotiated Enterprise Value[3]; (ii) the decrease by $75 million of the Allowed Claim of the Veil Piercing Claimants; (iii) if Class E-1 accepts the Consensual Plan, the distribution of New Common Stock having an aggregate New Common Stock Value Per Share of at least $150 million and (depending on the outcome of certain contingencies) as much as $250 million to interest holders (Class E-1); and (iv) the distribution of additional New Common Stock having an aggregate New Common Stock Value Per Share equal to $11.3 million to Holders of Pre-LBO Debenture Claims (Class U-6) if, among other things, Class U-6 accepts the Consensual Plan.

1. Distribution in Respect of Settlement Claims (Veil Piercing Claimants)

The Creditors' Plan and the Amended and Restated Veil Piercing Settlement Agreement provided for a distribution in respect of Settlement Claims (Class U-7) of $450 million, payable in a combination of

[3] Under the Consensual Plan, such increase in the Negotiated Enterprise Value will not dilute the percentage of the 50 million shares of New Common Stock to be initially issued on the Effective Date that will be distributed to and retained by the Celotex Settlement Fund Recipient in respect of Veil Piercing Claims.

Qualified Securities and New Common Stock. The Debtors' Plan did not provide for any distribution on account of Settlement Claims. The Consensual Plan reduces the amount of this distribution to $375 million. In addition, the Celotex Settlement Fund Recipient will receive (i) a contingent cash payment in the event that the application of Caplin & Drysdale (counsel to the Veil Piercing Claimants in the Declaratory Judgment Proceeding) for payment of $15 million in attorney's fees on behalf of itself and the Claimants' Attorneys is not granted in full by the Court (the amount of the additional cash payment to the Celotex Settlement Fund Recipient will equal that part of the $15 million fee request not granted by the Court), and (ii) in the event that the Effective Date occurs after March 31, 1995, additional New Senior Notes (or, if no New Senior Notes are issued as Qualified Securities, Cash) as compensation for any delay in receiving distributions of Qualified Securities beyond March 31, 1995. See "Allocation of Qualified Securities."

Although the aggregate Class U-7 Claim (other than the contingent cash payment) is still payable in Qualified Securities and New Common Stock, the Consensual Plan changes the method of allocating each component of the distribution. With respect to Qualified Securities, the Creditors' Plan provided that Qualified Securities would be divided between Settlement Claims and Subordinated Note Claims on the basis of a 450/1548 fraction to Holders of Settlement Claims, and the balance to Holders of Subordinated Note Claims. Under the Consensual Plan, this fraction has been changed to 375/1473, resulting in a relatively smaller principal amount of Qualified Securities for Veil Piercing Claimants and a relatively larger principal amount of Qualified Securities for Subordinated Noteholders at any given level of Qualified Securities.

With respect to New Common Stock, the Creditors' Plan provided that shares of New Common Stock would be allocated based upon a per-share stock value derived from a $2.525 billion Negotiated Enterprise Value. Although the Consensual Plan now generally provides that the Negotiated Enterprise Value will be increased from $2.525 billion to $2.6 billion, this change does not apply to the determination of the number of shares of New Common Stock to be distributed on account of that part of the $375 million Veil Piercing Claims Amount that is not satisfied by the issuance of Qualified Securities. Consequently, the $2.525 billion enterprise value used for purposes of allocating New Common Stock under the Creditors' Plan will continue to apply solely for the purpose of determining the number of shares of New Common Stock to be received by the Celotex Settlement Fund Recipient under the Veil Piercing Settlement, with the result that the Celotex Settlement Fund Recipient will receive and retain the same percentage of the 50 million shares of New Common Stock to be issued initially on the Effective Date (which does not include the Pre-LBO Settlement Equity Amount) as would have been received at a $2.525 billion Negotiated Enterprise Value.

The example set forth on the following page illustrates the Class U-7 recovery under the Consensual Plan, assuming that $530 million of Qualified Securities are available for distribution thereunder.

ALLOCATION OF QUALIFIED SECURITIES AND NEW COMMON STOCK TO VEIL PIERCING CLAIMANTS (CLASS U-7)

ALLOWED CLAIM OF CLASS U-7	**$ 375,000,000**
Allocation of Qualified Securities	
Qualified Securities Available to Classes U-4 through U-7	$ 530,000,000
Allocation Percentage for Class U-7(a)	25.5%
Qualified Securities Allocated to Class U-7	**$ 134,928,717**
Allocation of New Common Stock	
Allowed Claim of Class U-7	$ 375,000,000
Qualified Securities Allocated to Class U-7	(134,928,717)
"Veil Piercing Residual Claim Amount"	$ 240,071,283
Negotiated Enterprise Value per Creditors' Plan	$2,525,000,000
Amount of Senior Claims per Creditors' Plan and Consensual Plan	902,000,000
Amount of Qualified Securities Available to Classes U-4 to U-7	530,000,000
"Veil Piercing New Common Stock Value"	$1,093,000,000
Shares to be Initially Issued	*50,000,000*
"Veil Piercing New Common Stock Value Per Share"(b)	$ 21.86
New Common Stock Shares to Be Issued to Veil Piercing Claimants — "Veil Piercing New Common Stock Amount"(c)	10,982,218
New Common Stock Value Per Share(d)	$ 23.36
New Common Stock Value Allocated to Class U-7	**$ 256,544,612**
Total Value Allocated to Class U-7(e)	**$ 391,473,329**

(a) Represents proportional sharing amount of Class U-7 pursuant to Section 2.a.ii. of the Second Amended and Restated Veil Piercing Settlement Agreement ($375,000,000/$1,473,000,000).

(b) Veil Piercing New Common Stock Value divided by Shares to be Initially Issued.

(c) Veil Piercing Residual Claim Amount divided by Veil Piercing New Common Stock Value Per Share.

(d) Negotiated Enterprise Value of $2.600 billion less Senior Claim amount of $902 million and Qualified Securities of $530 million divided by 50 million shares to be initially issued.

(e) Represents total Qualified Securities and New Common Stock Value allocated to Class U-7.

The allocation to individual veil piercing claimants of the consideration to be distributed to the Celotex Settlement Recipient Fund under the Consensual Plan will be determined by the Celotex Bankruptcy Court as part of the Celotex Chapter 11 Proceeding, and not by the Court in the Chapter 11 Cases. The Consensual Plan, the Second Amended and Restated Veil Piercing Settlement Agreement and the restated certificate of incorporation of Walter Industries provide that shares of New Common Stock issued to the Celotex Settlement Fund Recipient under the Consensual Plan and not yet transferred to persons other than Veil Piercing Claimants shall be voted only in the same percentage as the other shares of New Common Stock are voted on the matter in question. The Consensual Plan Proponents anticipate that this provision will be enforced through the issuance of a separate class of New Common Stock to the beneficiaries of the Celotex Settlement Fund Recipient that has all of the rights and privileges of the class of New Common Stock issued to other Creditors and Interest Holders, except that the shares of such class shall be voted only in the same percentage as the shares of the other class of New Common Stock are voted on the matter in question (the

shares of this class will be automatically converted into the other class of New Common Stock upon transfer to a Person other than a Veil Piercing Claimant or its Affiliate). These shares may also be deposited in a voting trust in connection with the Celotex Chapter 11 Proceeding.

2. Allocation of Initial Issuance of 50 Million Shares of New Common Stock On The Effective Date

a. In General

Before the Creditors' Plan was modified to become the Consensual Plan, it provided that 50 million shares of New Common Stock would be issued on the Effective Date and would be allocated among the Voting Creditor Classes (Classes S-1, S-2, S-6, U-4, U-5 and U-6) and the Veil Piercing Claimants in the manner specified therein. The Creditors' Plan also provided that Holders of Old Common Stock Interests would receive (i) the "Equity Call Option" and (ii) any "excess" shares of New Common Stock that remained after Holders of Subordinated Note Claims received Qualified Securities and New Common Stock with an aggregate value equal to the Allowed Amount of their Claims, which would have included post-petition interest to the extent permitted by law. The Creditor Proponents anticipated that no New Common Stock would be issued to the Holders of Old Common Stock Interests under the Creditors' Plan (other than upon any exercise of an Equity Call Option).

Under the Consensual Plan, a specified portion of the 50 million shares of New Common Stock to be issued initially on the Effective Date will be allocated to the Holders of Old Common Stock Interests, based on the formula described below. In addition, depending on certain occurrences and contingencies, additional shares of New Common Stock (which shall not be part of the initial 50 million share issuance) will be issued to such Holders. The effect of these modified provisions for the distribution of New Common Stock to Class E-1 will be dilutive as to the Voting Creditor Classes, when compared to the distribution of New Common Stock that they would have received under the Creditors' Plan (before it was modified to become the Consensual Plan), had the Court adopted the "Negotiated Enterprise Value" of $2.525 billion contained in the Creditors' Plan. The Debtors claimed, however, that the use of this "Negotiated Enterprise Value" significantly undervalued the Debtors. The Consensual Plan provides for a $2.6 billion Negotiated Enterprise Value. See "Allocation of New Common Stock — Valuation of Debtors and of Equity Represented by New Common Stock".

b. Formula for Allocating the Initial Issuance of 50 Million Shares Of New Common Stock To Be Issued On The Effective Date.

Under the Consensual Plan, 50 million shares of New Common Stock will be issued on the Effective Date and will be allocated among the Voting Creditor Classes, the Holders of Settlement Claims and Holders of Old Common Stock Interests in the following manner:

Initially, a determination will be made of the number of shares of New Common Stock to be allocated to the Celotex Settlement Fund Recipient so that it receives the same percentage of the 50 million shares of New Common Stock that it would have received absent the increase in the Negotiated Enterprise Value. This determination is made by first calculating the amount by which the $375 million Veil Piercing Claims Amount exceeds the principal amount of the Qualified Securities issued on account thereof (the remainder being the "Veil Piercing Residual Claim Amount"), and providing for the Celotex Settlement Fund Recipient to receive that number of shares of New Common Stock which has a value equal to the Veil Piercing Residual Claim Amount, determined by using a value per share for the New Common Stock which is derived on the basis of a $2.525 billion enterprise value. This result is accomplished by using a New Common Stock value per share (the "Veil Piercing New Common Stock Value Per Share") which is derived by subtracting the sum of $902 million and the aggregate principal amount of the Qualified Securities issued to all Classes from $2.525 billion, and dividing that amount by 50 million shares. This results in the "Veil Piercing New Common Stock Value Per Share." The number of shares to be distributed to the Celotex Settlement Fund Recipient will have an aggregate Veil Piercing New Common Stock Value Per Share equal to the Veil Piercing Residual Claim

Amount. The aggregate number of shares thus derived, which will be distributed to the Celotex Settlement Fund Recipient, is the "Veil Piercing New Common Stock Amount." [4]

The number of shares of New Common Stock that remain after deducting the shares allocated to the Celotex Settlement Fund Recipient from 50 million shares (the "New Common Stock Residual Amount") will then be prorated among the Classes listed below by assigning the following dollar amounts to each of them for purposes of this proration in order to determine their respective percentages of the New Common Stock Residual Amount.

a. Revolving Credit Bank Claims (Class S-1) — $28,220,625;

b. Working Capital Bank Claims (Class S-2) — $9,279,375;

c. Series B & C Senior Note Claims (Class S-6) — $37,500,000;

d. Subordinated Note Claims (Classes U-4, U-5 and U-6) — the difference between the aggregate principal amount of the Qualified Securities distributed on account of the Subordinated Note Claims and the Allowed Amount thereof (this difference being known as the "Subordinated Note Claims Residual Amount"); and

e. Old Common Stock Interests (Class E-1) — $150 million (but only if Class E-1 accepts the Consensual Plan; otherwise zero).

The sum of (a)-(e) is referred to as the "New Common Stock Residual Allocation Denominator." The number of shares to be allocated to each of these Classes (or, in the case of Subordinated Note Claims, a group of Classes) out of the aggregate number of shares available to them is determined by multiplying the New Common Stock Residual Amount by a fraction, the numerator of which is the dollar amount assigned to that Class or group of Classes, as set forth above, and the denominator of which is the New Common Stock Residual Allocation Denominator. With respect to the stock allocated to the Holders of Subordinated Note Claims (the "Subordinated Note Claims New Common Stock Amount"), each Holder of a Subordinated Note Claim will share ratably in that number of shares, based on the following proration: the difference between the principal amount of the Qualified Securities distributed to that Holder and the total Allowed Amount of that Holder's Claim is calculated (the "Subordinated Note Claim Deficiency Amount"). That Holder's share of the New Common Stock allocated to the Subordinated Note Claims under the above formula is determined by using a fraction, the numerator of which is that particular Holder's Subordinated Note Claim Deficiency Amount, and the denominator of which is the total Subordinated Note Claims Residual Amount.

3. Issuance of Additional New Common Stock To Holders of Old Common Stock Interests

In addition to the 50 million shares of New Common Stock to be initially issued on the Effective Date and allocated as described above, if Class E-1 accepts the Consensual Plan, Holders of Old Common Stock Interests (Class E-1) will receive additional shares of New Common Stock, the amount of which depends on certain contingencies. Class E-1 will receive shares of New Common Stock with an aggregate New Common Stock Value Per Share equal to the sum of:

(a) The extent by which Federal Income Tax Claims are reduced to below $27 million in the aggregate by a Final Order (the Creditors' Disclosure Statement estimated these claims at $27 million for purposes of estimating the total Senior Claims at December 31, 1993 (which was estimated at $902 million), whereas the Debtors' Disclosure Statement estimated these claims at $14 million; the total amount of such claims asserted by the IRS is over $186 million) (the "Federal Income Tax Claims Differential"); and

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[4] This provision will result in the distribution of additional shares to Class U-7 having an aggregate New Common Stock Value Per Share of approximately $16 million (assuming total Qualified Securities available for distribution under the Consensual Plan of $530 million), compared to the number of shares that Class U-7 would have received under the Consensual Plan absent this anti-dilution provision.

(b) The amount of federal, state and local tax benefits when, as and if actually realized by the Debtors (as described in more detail below) in respect of the distribution made pursuant to the Veil Piercing Settlement (the "Veil Piercing Settlement Tax Savings Amount"). This amount will be determined by the Tax Oversight Committee upon the filing of a tax return or a refund claim by the Walter Industries consolidated tax group or a member thereof for each taxable year ending after the Effective Date (or for a prior taxable year for which a carryback claim is filed), which tax return or refund claim includes a deduction or refund claim for a Veil Piercing Settlement Tax Savings Amount; at such time, shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to such Veil Piercing Settlement Tax Savings Amount will be issued and placed in escrow with an independent financial institution acceptable to KKR and the Tax Oversight Committee, and released from escrow as soon as practicable after the Tax Oversight Committee determines that the applicable Veil Piercing Settlement Tax Savings Amount is no longer subject to adjustment because (i) the statutory period during which assessments (or denial of a refund claim) can be made with respect to such Veil Piercing Settlement Tax Savings Amount has passed, (ii) Walter Industries and the Internal Revenue Service or other relevant taxing authority have entered into a closing or similar agreement governing the years or issues in question with respect to such Veil Piercing Settlement Tax Savings Amount, or (iii) a court decision determining the income tax liability (or the right to such refund) with respect to such Veil Piercing Settlement Tax Savings Amount has been rendered and the time period for the filing of an appeal has passed. Notwithstanding and in addition to the foregoing, the Consensual Plan provides that in the event that, on or prior to the 160th day following the Effective Date, (i) one or more Veil Piercing Settlement Tax Savings Events shall not have occurred in respect of (and the Tax Oversight Committee shall not have determined) the maximum Veil Piercing Settlement Tax Savings Amount that could result from a good faith claim by the Walter Industries consolidated tax group both of (a) a refund with respect to tax years prior to the tax year in which the Effective Date occurs, and (b) a deduction with respect to the tax year in which the Effective Date occurs (collectively, the "Initial Claim"), or (ii) Walter Industries shall not have issued and delivered into escrow certificates representing shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the full amount of such maximum Veil Piercing Settlement Tax Savings Amount, then not later than the 180th day after the Effective Date, Walter Industries shall issue and deliver into escrow certificates representing New Common Stock having an aggregate New Common Stock Value Per Share equal to the sum of (i) that part of the Veil Piercing Settlement Tax Savings Amount arising from the Initial Claim in respect of which shares of New Common Stock had not theretofore been issued into escrow, as such Veil Piercing Settlement Tax Savings Amount (whether or not a Veil Piercing Settlement Tax Savings Event shall previously have occurred) shall be estimated in good faith by the Chief Financial Officer of Walter Industries and set forth in a certificate delivered to the Tax Oversight Committee (and such amount shall be the Veil Piercing Settlement Tax Savings Amount for purposes of this sentence) and (ii) an additional amount equal to the lesser of (A) $13 million and (B) an amount that would cause the total number of shares of New Common Stock to be issued into escrow to have an aggregate New Common Stock Value Per Share equal to $88.7 million; *provided*, that $11.3 million of New Common Stock (using the New Common Stock Value Per Share) shall be issued directly to Holders of Class E-1 Interests on a Pro Rata basis, at the same time as shares are first issued into escrow. Holders of Class E-1 Interests, on a Pro Rata basis, shall be entitled to exercise all voting rights of, and receive dividends and other distributions on, the New Common Stock held in escrow. The amount of such dividends and other distributions must be returned to Walter Industries if such shares are subsequently cancelled prior to release from escrow.

The Consensual Plan limits the number of shares issuable under (a) and (b) above to that number of Shares that, when added to the shares to be issued to Class E-1 out of the initial issuance of 50 million shares on the Effective Date, has an aggregate New Common Stock Value Per Share of $250 million. The Consensual Plan also contains an arbitration provision for the final determination of any dispute that may arise between KKR and the Tax Oversight Committee with respect to any determination made by the Tax Oversight Committee under Section 3.26 of the Consensual Plan.

For purposes of calculating the distribution of these additional shares of New Common Stock to Class E-1 under (a) and (b) above, the New Common Stock Value Per Share will be determined based on a Negotiated Enterprise Value of $2.6 billion. In order to derive the New Common Stock Value Per Share, two amounts are deducted from the Negotiated Enterprise Value of $2.6 billion: (i) $902 million; and (ii) the principal amount of the Qualified Securities to be distributed on the Effective Date. The net remaining amount is divided by 50 million to calculate the New Common Stock Value Per Share. The $902 million represents an estimate of administrative, priority, secured and Other Unsecured Claims as of December 31, 1993. This amount is estimated to increase to approximately $987 million as of December 31, 1994 (exclusive of the amount of such Claims to be satisfied in the form of shares of New Common Stock), based primarily on the increase in postpetition interest on Secured Claims and the increase in Administrative and Priority Claims over this period. As a result, in order for the aggregate value per share of the New Common Stock to equal the aggregate New Common Stock Value Per Share derived by using the Negotiated Enterprise Value of $2.6 billion, the value of the Debtors as of December 31, 1994, would in fact have to be approximately $2.706 billion, which amount reflects and takes into account the allocation of New Common Stock to Class U-7 that neutralizes the otherwise dilutive effect of the increase in the Negotiated Enterprise Value and the distribution of approximately $75 million of New Common Stock to Class E-1 from such increase in the Negotiated Enterprise Value. See "Valuation of Debtors and of Equity Represented by New Common Stock."

The $902 million and $987 million amounts referred to above assume $27 million in Federal Income Tax Claims. The IRS has asserted Federal Income Tax Claims of over $186 million. Of the Federal Income Tax Claims asserted by the IRS, the Court has ruled in the Debtors' favor on claims aggregating approximately $50 million, but has not yet ruled on the remainder. While the Debtors and the other Consensual Plan Proponents believe that the Debtors have meritorious defenses against the Federal Income Tax Claims, neither the Debtors nor the other Consensual Plan Proponents can predict the amount of such Claims that will be allowed, or the timing of any such allowance or allowances. The Consensual Plan provides that, for purposes of the Federal Income Tax Claims Differential, the amount of Federal Income Tax Claims shall not be reduced by any Veil Piercing Settlement Tax Savings Amount. The Consensual Plan also provides that the Allowed Amount of, and any other terms of any settlement or agreement regarding, Federal Income Tax Claims shall not be agreed to by any Debtor without the prior consent of the Tax Oversight Committee. The Tax Oversight Committee is a committee of the New Board of Walter Industries, consisting at all times of the two Independent Directors and a director (or other person) designated by Lehman Brothers Inc. (the initial appointment of the Lehman Brothers Inc. designee is required to be made on or prior to the Effective Date). The Tax Oversight Committee is given oversight authority under the Consensual Plan with respect to the Federal Income Tax Claim Differential and the Veil Piercing Settlement Tax Savings Amount. The Tax Oversight Committee has the right to select and retain legal and financial professionals at the expense of Walter Industries.

Walter Industries intends to take the position that payments made under the Consensual Plan to the Celotex Settlement Fund Recipient will be deductible in full in the year of payment, subject to applicable limitations, by the Walter Industries consolidated tax group. The Consensual Plan Proponents believe that such payments are properly deductible, but there can be no assurance that the IRS will not challenge the amount or timing of such deduction, and if it does so whether such challenge will succeed.

The Consensual Plan Proponents estimate that, assuming full deductibility (without limitation) for federal and state income tax purposes of the $375 million veil piercing settlement amount in the year in which such amount is paid, the tax benefits to Walter Industries would be approximately $114 million.

4. Issuance of Additional New Common Stock to Holders of Pre-LBO Debenture Claims In Connection With Dismissal of Fraudulent Conveyance Lawsuit, Related Releases and Pre-LBO Bondholders Settlement Agreement

Also in addition to the 50 million shares of New Common Stock to be issued on the Effective Date, if the "Pre-LBO Condition" does not occur, then Holders of Pre-LBO Debenture Claims (Class U-6) will receive

additional shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to $11.3 million, consisting of the following (the "Pre-LBO Settlement Equity Amount"):

(a) $6.3 million, representing the estimated claim amount differential for the Series B & C Senior Note Claims (i.e., savings to the Debtors) that results from paying part of these claims in cash rather than by the issuance of New Senior Notes (the "Series B & C Senior Note Interest Differential"). The differential arises because that portion of the Allowed Amount of such claims that is satisfied by cash is calculated using a post-petition interest rate from the Filing Date through June 30, 1994 that is one percent (1.0%) lower than that used to calculate the Allowed Amount of the portion of such claims that is satisfied by New Senior Notes; and

(b) $5 million, representing the savings which are estimated to result from the agreement of Apollo and Lehman Brothers Inc., as part of the Consensual Plan only, not to file administrative expense claims which had been estimated at $5 million in the aggregate (the "Bondholder Proponents Expense Differential").

The Pre-LBO Settlement Equity Amount is fixed at $11.3 million, regardless of the actual amount of the foregoing differentials. Assuming $530 million of Qualified Securities available for distribution under the Consensual Plan, this would result in the issuance of an additional 483,733 shares of New Common Stock to Class U-6.

If the Pre-LBO Condition occurs: (i) the Pre-LBO Settlement Equity Amount will not be distributed to Class U-6; (ii) the Qualified Securities that Class U-6 would otherwise receive if the Pre-LBO Condition does not occur will instead be reallocated to Classes U-4 and U-5, with the result that Holders of Class U-6 Claims would receive only shares of New Common Stock in respect of such Claims (see "Allocation of Qualified Securities"); and (iii) the waiver of subordination rights by Classes U-4 and U-5 will not be applicable to any post-petition interest that is claimed by, or distributed to, Holders of Pre-LBO Debenture Claims.

The "Pre-LBO Condition" will occur if either (i) Class U-6 rejects the Consensual Plan, or (ii) the Pre-LBO Bondholders Settlement Agreement is not terminated prior to or as of December 31, 1994 pursuant to Section 7C or Section 7D thereof. As more fully set forth in the Creditors' Disclosure Statement, in March 1994, the Bondholder Proponents, the Ad Hoc Committee of Pre-LBO Bondholders, The Acacia Group ("Acacia") and Gabriel Capital, L.P. ("Gabriel") (Acacia and Gabriel being significant Holders of Pre-LBO Debenture Claims) and other Holders of Pre-LBO Debenture Claims entered into the Pre-LBO Bondholders Settlement Agreement. That Agreement includes, among other provisions, the agreement of the signatories thereto to support a creditor-proposed plan of reorganization that includes certain distributive provisions and provides for a release of all LBO-Related Issues and a dismissal of the Fraudulent Conveyance Lawsuit. Section 7C of the Pre-LBO Bondholders Settlement Agreement permits the Bondholder Proponents or Acacia and Gabriel to terminate that Agreement at any time after December 31, 1994 if the Court has not entered the Confirmation Order on or prior to December 31, 1994. Section 7D of the Pre-LBO Bondholders Settlement Agreement permits termination thereof if all of the parties thereto mutually agree in writing to terminate the Agreement.

If the Pre-LBO Condition occurs, notwithstanding the fact that Gabriel and Acacia did not change their prior vote in favor of the Creditors' Plan, and that the Ad Hoc Committee of Pre-LBO Bondholders was a co-proponent of the Consensual Plan, such parties reserve all of their rights to object to Confirmation of the Consensual Plan.

Based on statements made in November 1994 by a significant Holder of Pre-LBO Debenture Claims, the Consensual Plan Proponents had reason to believe that certain Holders of Pre-LBO Debenture Claims would have rejected a previous draft of the Consensual Plan that did not provide for a distribution of New Common Stock equal to the Pre-LBO Settlement Equity Amount, and would have pursued the LBO-Related Issues and the Fraudulent Conveyance Lawsuit.

The Consensual Plan Proponents believe that the provision in the Consensual Plan for the additional distribution to Class U-6 of New Common Stock having an aggregate New Common Stock Value Per Share

equal to the Pre-LBO Settlement Equity Amount will result in the release of all LBO-Related Issues contained in Section 6.1 of the Consensual Plan being obtained without objection by Class U-6, and that such release will be of substantial value to creditors and interest holders. In addition, the release in Section 6.3 of the Consensual Plan provides for the dismissal, with prejudice, of the Fraudulent Conveyance Lawsuit that was commenced in January 1994 by the Indenture Trustees for the Pre-LBO Debentures. While the Consensual Plan Proponents (other than the Ad Hoc Committee of Pre-LBO Bondholders) believe that meritorious defenses could have been asserted against the allegations made in the Fraudulent Conveyance Lawsuit, the Consensual Plan Proponents concluded that the possibility of an adverse outcome (which could have a substantially adverse effect on distributions contemplated under the Consensual Plan), the risk of potential delay in consummation of the Consensual Plan and the uncertainty as to whether a release of LBO-Related Issues would be found to be fair and reasonable if Class U-6 did not accept the Consensual Plan, justified the provision of additional New Common Stock having an aggregate New Common Stock Value Per Share equal to the Pre-LBO Settlement Equity Amount to Class U-6 if it accepts the Consensual Plan. The Holders of a substantial amount of Class U-6 Claims have indicated that they will support the Consensual Plan and the Consensual Plan Proponents anticipate that Class U-6 will accept the Consensual Plan. It should be noted that the Pre-LBO Settlement Equity Value is based on the amount of savings realized by the Debtors from foregone expense claims that could have been made by the Bondholder Proponents, and from savings in the Class S-6 distribution realized by satisfying part of those Claims in Cash rather than in New Senior Notes.

As of November 22, 1994, the Bondholder Proponents, Acacia, Gabriel and the Ad Hoc Committee of Pre-LBO Bondholders entered into a letter agreement providing, among other things, that (i) the parties would support the Consensual Plan; (ii) the Ad Hoc Committee of Pre-LBO Bondholders would continue to be a co-proponent of the Consensual Plan; (iii) the parties agreed to terminate the Pre-LBO Bondholders Settlement Agreement pursuant to its terms as of December 31, 1994; (iv) the parties agreed that because of, *inter alia,* such termination, the filing of the Consensual Plan does not breach or contravene any of the terms of the Pre-LBO Bondholders Settlement Agreement; and (v) each of the parties agreed to release each of the other parties from and against any claim or liability under the Pre-LBO Bondholders Settlement Agreement.

5. Valuation of Debtors and of Equity Represented by New Common Stock

At the hearing that began on October 17, 1994, the Debtors presented evidence of an enterprise valuation for the Debtors of $2.805 billion as of May 31, 1995. This enterprise valuation was arrived at by adding to the midpoint of the valuation range of the Debtors' and non-Debtor subsidiaries' operating businesses and other miscellaneous assets at May 31, 1993 exclusive of cash ($2.347 billion) (i) the projected cash balance of the Debtors and non-Debtor subsidiaries as of May 31, 1995 ($149.8 million) and (ii) the projected increase in the Economic Balance of the unencumbered mortgage notes to be purchased by Mid-State Homes from Jim Walter Homes from June 1, 1993 to May 31, 1995 ($308.2 million). The Debtors' valuation range at May 31, 1993 (including cash balances) was $2.293 billion to $2.757 billion. The Debtors' experts testified that, at December 31, 1994, such $2.805 billion valuation would be reduced by an estimated $60 million (to $2.745 billion), representing the estimated increase in the Economic Balance of unencumbered mortgage notes from December 31, 1994 to May 31, 1995. These valuations did not include the value of any tax benefits that are expected to result from distributions to be made under the Consensual Plan.

At the same hearing, Ernst & Young, the financial advisor to the Bondholders Committee, presented evidence of an enterprise valuation range, as of December 31, 1994, of between $2.344 billion and $2.700 billion, prior to giving effect to tax benefits that are expected to result from consummation of the Consensual Plan.

Given the uncertainty as to the enterprise valuation that the Court would have adopted, and the potential effect of that valuation on creditor recoveries, the Consensual Plan Proponents agreed (for purposes of the Consensual Plan) on a Negotiated Enterprise Value of $2.6 billion as of December 31, 1993. At a valuation at December 31, 1994 of $2.706 billion or more, all Creditors will receive at least 100% of the Allowed Amount of their Claims under the Consensual Plan. A valuation amount of $2.706 billion as of December 31, 1994 is within the Debtors' valuation range.

B. Allocation of Qualified Securities

As noted in Section II.A.1, above, the proportion of Qualified Securities to be received on account of Settlement Claims has been changed from 450 divided by 1548 (that is, the sum of 1,098 plus 450), to 375 divided by 1473 (that is, the sum of 1,098 plus 375) (the 1,098 amount is derived from the aggregate pre-Filing Date amount of Subordinated Note Claims, which is approximately $1,098 million). This change will result in the distribution of a relatively greater amount of Qualified Securities in respect of Subordinated Note Claims, and a relatively smaller amount of Qualified Securities in respect of Settlement Claims. Except as provided below, the Consensual Plan does not change the method for allocating the Qualified Securities to be distributed among the three Classes of Subordinated Note Claims.

In the event that the Pre-LBO Condition occurs, then (i) the $80 million aggregate principal amount of Qualified Securities (subject to adjustment based upon the amount of Qualified Securities available for distribution under the Consensual Plan) that would otherwise have been distributed to Holders of Class U-6 Claims under paragraph (b)(i) of the definition of "Applicable Consideration" in Section 1.26 of the Consensual Plan shall instead be distributed to Holders of Class U-4 and Class U-5 Claims until all unsatisfied elections of, first, Holders of Class U-4 and, second, Holders of Class U-5 Claims to receive Qualified Securities under the Subordinated Note Claims Election are satisfied; and (ii) shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the principal amount of the Qualified Securities which are reallocated from Class U-6 to Holders of Class U-4 and Class U-5 Claims pursuant to this provision will be deducted from the number of shares of New Common Stock that would otherwise have been distributable to such Holders and distributed to Class U-6 in lieu of the Qualified Securities which are reallocated to Classes U-4 and U5 pursuant to this provision. The "preferred" allocation of the $80 million (which amount is subject to adjustment) in Qualified Securities to Class U-6 which is eliminated by this provision was originally incorporated into the Creditors' Plan from the Pre-LBO Bondholders Settlement Agreement.

In addition, and after taking into account the foregoing, the Consensual Plan provides that Holders of Senior Subordinated Note Claims (Class U-4) that elected to receive all or part of their Class U-4 Claims in Qualified Securities pursuant to the Subordinated Note Claim Election (other than Lehman Brothers Inc.) (the "Electing Class U-4 Holders") will be entitled to "exchange" (the "Class U-4 Exchange Option") their pro rata share of New Common Stock having an aggregate New Common Stock Value Per Share of $39.4 million (assuming Qualified Securities available for distribution under the Consensual Plan to Classes U-4 through U-7 of $530 million), $0 (assuming Qualified Securities available for distribution under the Consensual Plan to Classes U-4 through U-7 of $700 million or more), or if Qualified Securities available for distribution under the Consensual Plan to Classes U-4 through U-7 are greater than $530 million but less than $700 million, then the proportionate ratio of $39.4 million and $0, that they otherwise would have received on account of their Class U-4 Claim (unless a lesser principal amount of Qualified Securities is sufficient to satisfy all Subordinated Note Claim Elections for Qualified Securities, in which event such lesser amount shall apply), for an identical aggregate principal amount of Qualified Securities that would otherwise have been issued to Lehman Brothers Inc. on the Effective Date in respect of the Class U-4 Claim held by Lehman Brothers Inc., with any New Senior Notes that would otherwise have been so issued to Lehman Brothers Inc. to be reallocated before any Cash that would otherwise have been so distributed is reallocated.

The willingness of Lehman Brothers Inc. to reallocate up to $39.4 million of Qualified Securities, that it would otherwise be entitled to receive is based on its and the Debtors' desire to strengthen the Debtors' balance sheet. In this connection, Lehman Brothers Inc. and the Debtors agreed that the Debtors would emerge from Chapter 11 with a stronger balance sheet if the total amount of Qualified Securities to be distributed on the Effective Date were reduced to an anticipated $530 million. If, however, the amount of Qualified Securities available for distribution under the Consensual Plan is greater than $530 million but less than $700 million, this $39.4 million number decreases proportionately as the aggregate principal amount of Qualified Securities increases, declining to zero at a $700 million level of Qualified Securities. Exercise of the Class U-4 Exchange Option will result in an increase in the principal amount of Qualified Securities and an identical decrease in the amount of New Common Stock (measured using the New Common Stock Value Per Share) to be distributed to each Electing Class U-4 Holder, and an identical (but opposite) decrease in the

principal amount of Qualified Securities, and increase in the amount of New Common Stock (based on the New Common Stock Value Per Share) to be distributed to Lehman Brothers Inc. in respect of its Class U-4 Claim. The "exchange" will not, therefore, require an actual transaction between the Holder and Lehman Brothers Inc., but will be accounted for in the allocations actually made under the Consensual Plan on the Effective Date. The Class U-4 Exchange Option can be exercised only by a Holder of an Eligible Class U-4 Claim and only by completing and returning (in accordance with the instructions contained therein) the Class U-4 Exchange Option Form, which is being transmitted to each Holder of an Eligible Class U-4 Claim together with this Supplement, so that it is received by the Balloting Agent no later than 5:00 P.M. Eastern Time on January 24, 1995 (if the record Holder is a bank, broker or nominee on behalf of a beneficial holder, the beneficial holder must complete and return its ballot to such bank, broker or nominee so that it is received no later than 5:00 P.M. on January 19, 1995). The aggregate New Common Stock Value Per Share of New Common Stock that an Electing Class U-4 Holder may exchange for an identical principal amount of Qualified Securities is equal to (a) the product of multiplying the aggregate principal amount of the Qualified Securities to be reallocated from Lehman Brothers Inc. to Holders that exercise the Class U-4 Exchange Option by the quotient of (i) the amount of such Holder's Class U-4 Claim that such Holder requested to be satisfied by Qualified Securities, divided by (ii) the aggregate amount of all Class U-4 Claims that were requested to be satisfied by Qualified Securities (other than Class U-4 Claims held by Lehman Brothers Inc.), in each case pursuant to the prior Subordinated Note Claim Election, or (b) if less, the amount necessary to enable such Holder to receive the full principal amount of the Qualified Securities for which such Holder made the Subordinated Note Claim Election.

In order to compensate Creditors that are to be issued Qualified Securities under the Consensual Plan for any delay in the Effective Date beyond March 31, 1995, during which time the value of the Debtors (and thus the New Common Stock) is expected to appreciate in value (while the amount of Qualified Securities remains constant), in the event that the Effective Date occurs after March 31, 1995 each Holder of a Subordinated Note Claim who receives Qualified Securities in accordance with subparagraphs (a) - (e) of Section 1.26 of the Consensual Plan, and the Celotex Settlement Fund Recipient on behalf of Veil Piercing Claimants under Section 3.22 of the Consensual Plan, shall also receive an additional distribution consisting of New Senior Notes of the same series and with all of the same terms and provisions as the New Senior Notes issued as Qualified Securities, in a principal amount equal to the product of multiplying the principal amount of Qualified Securities to be received by such Holder (in the case of Holders of Subordinated Note Claims, after applying all of the provisions, calculations and elections of subparagraphs (a) - (e) of Section 1.26 of the Consensual Plan) by the Qualified Securities Adjuster; *provided, however* that if no New Senior Notes are issued as Qualified Securities as a result of the issuance of Replacement Indebtedness under Section 4.19 of the Consensual Plan, such additional distribution shall be made solely in Cash.

"Qualified Securities Adjuster" is defined under the Consensual Plan to mean the product of multiplying the rate of interest on the New Senior Notes to be issued as Qualified Securities (or, if no New Senior Notes are issued as Qualified Securities, a rate equal to the rate of interest per annum of five year U.S. Treasury Notes on the Effective Date plus 487.5 basis points) by a fraction, the numerator of which is the number of days after March 31, 1995 on which the Effective Date occurs, and the denominator of which is 360.

C. Terms of Qualified Securities and New Senior Notes

The Creditors' Plan provided that Qualified Securities were to have consisted of (a) Cash, or (b) one or more types of debt securities having the following terms: (i) if secured by real property mortgages and the promissory notes secured thereby, rated BB or higher by either Rating Service, and if not so secured, rated B or higher by either Rating Service, in each case as of the Effective Date (unless neither Rating Service provides a rating after proper application was made therefor), and (ii) valued at par as of the Effective Date (on a fully distributed basis) by Lehman Brothers Inc. and a qualified valuation expert selected by Apollo (provided that, if Lehman Brothers Inc. and the qualified valuation expert selected by Apollo did not agree, the Bondholders Committee would select a third qualified valuation expert of national reputation, whose determination would be binding). The Qualified Securities were expected to consist primarily of mortgage-backed debt instruments. However, because a substantial portion of the Mid-State Homes mortgage portfolio

is to be financed in connection with the Consensual Plan, a relatively greater portion of Qualified Securities will consist of Cash under the Consensual Plan compared to what was anticipated under the Creditors' Plan.

Under the Consensual Plan, the debt securities constituting Qualified Securities will consist of 5-year New Senior Notes issued under the New Senior Note Indenture. Rather than requiring that the New Senior Notes issued as Qualified Securities be valued at par on the Effective Date in the same manner as Qualified Securities under the Creditors' Plan, the Consensual Plan provides that the annual interest on the New Senior Notes will be equal to the interest rate on 5-year U.S. Treasury Notes on the Effective Date plus 450 basis points if the New Senior Notes are rated BB or higher, or plus 525 basis points if the New Senior Notes are rated lower than BB or if Walter Industries does not apply for a rating of the New Senior Notes issued as Qualified Securities, and if neither Rating Service provides a rating of the security proposed to be rated after proper application is made therefor, such interest rate shall be the average of the two foregoing rates. The Consensual Plan further provides that such rate will in no event be less than the rate selected for the New Senior Notes issued in respect of Series B & C Senior Note Claims.[5]

The Consensual Plan Proponents anticipate that Walter Industries will apply for a rating for the New Senior Notes from the Rating Services, although Walter Industries is not obligated to do so and no minimum rating is required to be obtained for the New Senior Notes issued as Qualified Securities. Such New Senior Notes will be redeemable in whole or in part by the issuer at any time at 101% of principal amount plus accrued but unpaid interest (in the case of partial redemptions, the remaining unredeemed securities must have an aggregate principal amount of not less than $150 million). Such New Senior Notes are anticipated to be secured by the common stock of certain subsidiaries of Walter Industries or by equivalent collateral. The other anticipated terms of the New Senior Notes, which will be customary and reasonable for securities of this type and quality under then-existing market conditions, are set forth in *Exhibit 2* to the Consensual Plan. The Consensual Plan provides that the aggregate principal amount of New Senior Notes to be issued as Qualified Securities on the Effective Date shall be equal to the amount of Qualified Securities that do not consist of Cash; *provided,* that the aggregate principal amount of New Senior Notes to be issued as Qualified Securities, when added to the aggregate principal amount of New Senior Notes to be issued in respect of Class S-6 Claims ($94.9 million as at December 31, 1994) shall not exceed $490 million, unless a greater aggregate principal amount is agreed to by Lehman Brothers Inc.; *provided, further,* that the Debtors shall use their best efforts to minimize, to the extent consistent with obtaining a BB rating for the New Senior Notes issued as Qualified Securities, the aggregate principal amount of New Senior Notes required to be issued as Qualified Securities under the Consensual Plan. However, the Consensual Plan permits the Debtors to raise additional indebtedness (the "Replacement Indebtedness") in order to pay in Cash either or both of the following: (i) all, but not less than all, of the Claims that would otherwise have been satisfied by New Senior Notes issued as Qualified Securities, and/or (ii) all, but not less than all, of the Class S-6 Claims that would otherwise have been satisfied by New Senior Notes. See "Matters Relating to Financing." If New Senior Notes are issued as Qualified Securities under the Consensual Plan, then the amount of Cash that will be distributed as Qualified Securities will be equal to the Cash of the Debtors on hand as of the Effective Date (after giving effect to the mortgage financing(s) that are part of the Exit Financing), other than Reserved Cash, after giving effect to Cash payments to be made (other than as part of Qualified Securities) on or promptly after the Effective Date under the Consensual Plan, and the remaining Qualified Securities will consist of New Senior Notes. The Consensual Plan defines "Reserved Cash" to mean (i) restricted Cash that the Debtors have paid, segregated or identified as a deposit, as security or otherwise reasonably reserved for a particular purpose, and (ii) at the Debtors' option, up to $45 million of Cash (excluding bank overdrafts) that may be reserved by the Debtors for general corporate purposes, in each case as of the Effective Date; *provided,*

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[5] The Consensual Plan provides that, in the event of a material adverse change in the financial or securities markets in the United States or in political, financial or economic conditions in the United States, or outbreak or material escalation of hostilities such that it is inadvisable to price the New Senior Notes in such manner, then Lehman Brothers Inc. and a qualified valuation expert selected by Apollo will fix the rate of the New Senior Notes so that such New Senior Notes are valued by Lehman Brothers Inc. and such qualified valuation expert selected by Apollo at par as of the Effective Date, and if they cannot agree on such a rate, the Bondholders Committee will select a third qualified valuation expert of national reputation, whose determination of such rate will be binding.

however, that Reserved Cash does not include any Cash that is to be paid (or is reserved for payment of Disputed Claims) pursuant to the terms of the Consensual Plan.

The Creditors' Plan provided that Holders of Senior B & C Senior Note Claims (Class S-6 Claims) would receive, on account of such Claims, Cash and New Senior Notes (as that term was defined under the Creditors' Plan) in the proportion determined by the Bondholders Committee, except that a Holder that made the Series B & C Senior Note Claim Election would have had all of such Holder's Class S-6 Claim (other than such Holder's Pro Rata share of the Class S-6 Fund) satisfied by New Senior Notes.

The Consensual Plan changes the terms of the New Senior Notes that may be issued in respect of Class S-6 Claims by providing that in the event that neither Rating Service provides a rating of BB or higher for such New Senior Notes (or if Walter Industries elects in its sole discretion to make payment in Cash), then the Class S-6 Claims that would otherwise have been satisfied by such New Senior Notes will instead be satisfied by an amount of Cash equal to the principal amount of New Senior Notes that would otherwise have been issued. The Consensual Plan also provides that all Class S-6 Claims will be paid in Cash, other than those Class S-6 Claims as to which the Series B & C Senior Note Claim Election was made, which, except as partially satisfied by Cash from the Class S-6 Fund and by New Common Stock, will be satisfied in full by New Senior Notes (which differ from the New Senior Notes to be issued as Qualified Securities with respect to the method of establishing the interest rate, the rating, the optional redemption provision and, possibly, other terms) unless satisfied by Cash as described in the preceding sentence.

Holders of Class S-6 Claims having an aggregate Allowed Amount of approximately $94.9 million (as of December 31, 1994) made the Series B & C Senior Note Claim Election. The Consensual Plan permits these Holders to exchange, within 90 days after the Effective Date, all of the New Senior Notes that are issued to such Holder for an identical principal amount of New Senior Notes issued as Qualified Securities. This exchange right allows such Holders to participate in a significantly larger issuance that may result in more liquidity. The exchange will not be available, however, if no New Senior Notes are issued as Qualified Securities.

D. Amount of Qualified Securities

Under the Consensual Plan, the minimum aggregate principal amount of Qualified Securities that is required to be available for distribution to Classes U-4, U-5, U-6 and U-7 in order to satisfy a condition to the Effective Date of the Consensual Plan is equal to the sum of: (i) $530 million; (ii) the net proceeds of the Mid-State Trust IV mortgage financing(s) described below in excess of $900 million, if any, up to but not in excess of $25 million, and (iii) the amount, if any, by which the Replacement Indebtedness exceeds the amount of Cash necessary to pay all Claims that would otherwise have been satisfied by New Senior Notes issued as Qualified Securities. The Creditors' Plan, which required $700 million of Qualified Securities, permitted this condition to be waived by the Bondholder Proponents. The Consensual Plan does not permit this condition to be waived.

THERE CAN BE NO ASSURANCE AS TO THE AMOUNT, IF ANY, OR TRADING VALUE OF QUALIFIED SECURITIES THAT WILL BE AVAILABLE FOR DISTRIBUTION UNDER THE CONSENSUAL PLAN, NOR CAN THERE BE ANY ASSURANCE THAT THE SHARES OF NEW COMMON STOCK ISSUED ON THE EFFECTIVE DATE WILL TRADE AT OR ABOVE THE VALUES INDICATED HEREIN AT ANY TIME. TRADING PRICES WILL DEPEND ON NUMEROUS FACTORS, INCLUDING MARKET CONDITIONS, PREVAILING INTEREST RATES AND THE FINANCIAL CONDITION AND PERFORMANCE OF WALTER INDUSTRIES AND ITS SUBSIDIARIES.

E. Illustration of Effect of Plan Amendment on Recovery to Impaired Classes

The example set forth on the following two pages illustrates the application of the formula for allocating the Qualified Securities and the 50 million shares of New Common Stock to be initially issued on the Effective Date under the Consensual Plan, based on an assumed amount of $530 million of Qualified Securities available for distribution under the Consensual Plan. This illustration does not include the

additional shares of New Common Stock that will be issued to Holders of Old Common Stock Interests beyond their distribution out of the initial 50 million shares, that is described in Section II.A.3. above, or to Holders of Pre-LBO Debenture Claims with respect to the Pre-LBO Settlement Equity Amount that is described in Section II.A.4. above.

ALLOCATION OF QUALIFIED SECURITIES

Allocation Between Subordinated Note Holders and Veil Piercing Claimants

	Proportional Sharing Amounts(a)	Proportional Sharing Percentages		Available Qualified Securities		Allocation of Qualified Securities	"Veil Piercing Residual Claim Amount"(b)
Subordinated Notes (Classes U-4, U-5, U-6)	$1,098,000,000	74.5%	×	$530,000,000	=	$395,071,283	
Veil Piercing Claimants (Class U-7)	375,000,000	25.5%	×	530,000,000	=	134,928,717	**$240,071,283**
Total	$1,473,000,000	100.0%				$530,000,000	

Allocation Among Subordinated Note Holders

Class	Claim	Priority Allocation of Qualified Securities(c)	Allocation of Remaining Qualified Securities(d)	Total Qualified Securities	Remainder of Claim
U-4	$ 479,260,923	$240,000,000	$34,642,156	$274,642,156	$204,618,767
U-5	379,254,167	0	54,911,524	54,911,524	324,342,643
U-6	239,471,887	65,517,603	0	65,517,603	173,954,285
Total	$1,097,986,977	305,517,603	$89,553,680	$395,071,283	$702,915,694
Total Qualified Securities Available		395,071,283			
Remaining Qualified Securities		$ 89,553,680(d)			

(a) Proportional sharing amounts of $1,098 million for Subordinated Note Holders and $375 million for Class U-7 per Section 2.a.ii. of the Second Amended and Restated Veil Piercing Settlement Agreement.

(b) Represents Veil Piercing Allowed Claim less allocation of Qualified Securities.

(c) Priority Allocations pursuant to Section 1.26(b) of the Consensual Plan.

(d) Allocated pro rata between Class U-4 and U-5 based on claim remaining after priority allocations.

ALLOCATION OF NEW COMMON STOCK

Total Shares to Be Issued	50,000,000
Shares to Be Issued to Veil Piercing Claimants(a)	(10,982,218)
New Common Stock Residual Amount	**39,017,782**

Class	Remainder of Claim or Interest to be Received in New Common Stock(b)	% of Total New Common Stock Residual Amount		New Common Stock Residual Amount		New Common Stock Shares to Be Received	% of Equity Owned
S-1	$ 28,220,625	3.0%	×	39,017,782	=	**1,186,645**	2.4%
S-2	9,279,375	1.0%	×	39,017,782	=	**390,187**	0.8%
S-6	37,500,000	4.0%	×	39,017,782	=	**1,576,832**	3.2%
U-4	204,618,767	22.1%	×	39,017,782	=	**8,603,982**	17.2%
U-5	324,342,643	35.0%	×	39,017,782	=	**13,638,233**	27.3%
U-6	173,954,285	18.7%	×	39,017,782	=	**7,314,576**	14.6%
E-1	150,000,000	16.2%	×	39,017,782	=	**6,307,327**	12.6%
Total	$927,915,694	100.0%				**39,017,782**	78.0%
Shares Issued to Veil Piercing Claimants (Class U-7)						**10,982,218**	22.0%
Total New Common Stock Issued at Confirmation						**50,000,000**	100.0%

(a) See Section II.A.1. of the Supplement for allocation of New Common Stock to Class U-7.

(b) Represents claim or interest remaining after the allocation of Qualified Securities and other consideration to each class.

F. Sources and Uses of Consideration Relating to Consummation of Consensual Plan

In light of the consensual nature of the Consensual Plan, and the beneficial effect that this consensus is expected to have on financing, the Consensual Plan Proponents anticipate that the sources and uses of consideration relating to consummation of the Consensual Plan will be as follows, assuming a December 31, 1994 Effective Date:

	Estimated Amount as of December 31, 1994(1) (In millions)
SOURCES OF FUNDS	
Unrestricted Cash	$ 125
Financing of unencumbered mortgages (Mid-State Trust IV)(2)	900
Total	$1,025
USES OF FUNDS	
Estimated Cash necessary to satisfy Claims of Administrative, Priority, Secured and Other Unsecured (trade) Claims(3)	$ 837
Cash reserved for general corporate purposes	45
Cash available as part of Qualified Securities	143
Total	$1,025

(1) This chart is provided for illustrative purposes only, and there can be no assurance that financing will be available in the foregoing forms and amounts.

(2) This financing is expected to be effected through an underwritten offering or private placement to be completed in connection with the Consensual Plan. Lehman Brothers will be the lead manager in such underwriting or private placement. It is expected that any underwriter retained in connection with these financings, including Lehman Brothers, would be required to seek the approval of the Court, under Section 1129(a)(4) of the Code, for their fees and reimbursement of expenses.

(3) This amount is derived by subtracting, from the estimated Senior Claims of approximately $987 million as of December 31, 1994, $44 million for reinstated and assumed claims described in the immediately following chart, $5 million of savings resulting from the Bondholder Proponents Expense Differential, and approximately $6.3 million of savings resulting from the Series B & C Senior Note Interest Differential; the remaining Senior Claims not satisfied by New Common Stock will be satisfied by New Senior Notes having an aggregate principal amount of approximately $94.9 million.

As a result of the foregoing sources and uses, Cash and New Senior Notes issued as Qualified Securities are estimated as follows (in millions):

Cash	$143.0
New Senior Notes	387.0
Total	$530.0

The amount of New Senior Notes issued as Qualified Securities will be equal to the aggregate amount of Qualified Securities, less that part of Qualified Securities consisting of Cash, except that no such New Senior Notes will be issued if the Cash component of Qualified Securities is increased so that all Claims that would otherwise have been paid in New Senior Notes issued as Qualified Securities are instead paid in Cash. This Cash may be financed by the "Replacement Indebtedness." See "Matters Relating to Financing." The aggregate principal amount of New Senior Notes to be issued under the Consensual Plan is limited to $490 million, unless a greater principal amount is agreed to by Lehman Brothers Inc.

Using this estimate, the anticipated capitalization of the Debtors on the Effective Date would be as follows (in millions):

Reinstated/Assumed Claims(1)	$ 44.0
New Senior Notes issued in respect of Class S-6 Claims(2)	94.9
New Senior Notes issued as Qualified Securities	387.0
Total	$525.9

(1) Assumed trade claims refers to the payment of 25% of the Allowed Amount of Class U-3 Claims (plus interest for such period at the Chemical Bank Prime Rate as from time to time in effect, but not to exceed 10% per annum) six months after the Effective Date, as provided in the Consensual Plan.

(2) This amount will be increased by the amount of post-petition interest accrued after December 31, 1994 on Class S-6 Claims that are to be satisfied by New Senior Notes.

To the extent that (i) the net proceeds of the Mid-State Trust IV mortgage financing are greater than $900 million (up to a cap of $25 million) or (ii) the Replacement Indebtedness exceeds the amount necessary to pay all Claims that would otherwise have been satisfied by New Senior Notes issued as Qualified Securities, any such Cash will be added to the amount of Qualified Securities to be distributed under the Consensual Plan.

Given the foregoing, and the amount of Cash expected to be available to the Debtors at and immediately after Confirmation, the Consensual Plan Proponents do not anticipate paying, prior to the Effective Date, that portion of the Allowed Amount of the Revolving Credit Bank Claims and the Working Capital Bank Claims described in clauses (a) and (b) of Sections 3.6 and 3.7 of the Consensual Plan, respectively (these clauses describe post-petition interest accruing on such claims from the Filing Date through the date of payment of such post-petition interest); the Consensual Plan provides that such amounts are to be paid within 5 days following the Confirmation Date and on the last Business Day of each subsequent calendar quarter until the

Effective Date, or such other date as the Court may order (but in any event not later than the Effective Date). The Consensual Plan Proponents intend to request that the Court order that such payments be made on the Effective Date.

G. Matters Relating to Financing

Recognizing that Holders of Subordinated Note Claims will receive the majority of the Qualified Securities and New Common Stock to be issued under the Consensual Plan, and that Lehman Brothers Inc. will be entitled to designate only three of the nine directors that will comprise the New Board (under the Creditors' Plan, the Creditor Proponents were to have designated eight of eleven directors), the Consensual Plan provides that Walter Industries and the Bondholder Proponents shall consult and cooperate for purposes of obtaining the Exit Financing and entering into the New Working Capital Facility and the Mid-State Homes Warehouse Credit Facility, in each case as of the Effective Date. The Consensual Plan defines "Exit Financing" as (i) any third party financing to be obtained as of the Effective Date in connection with funding distributions to be made under the Consensual Plan, which shall be directly or indirectly secured by the unencumbered notes and mortgages held by Mid-State Homes and/or the residual interests held by Mid-State Homes in Mid-State Trust II and Mid-State Trust III, and (ii) any New Senior Notes.

The Consensual Plan provides that the Bondholder Proponents shall determine and fix the amount (subject to the limitation contained in the definition of New Senior Notes contained in the Consensual Plan), terms and conditions of, and shall select the underwriters, placement and/or other financing sources with respect to, the Exit Financing, all of which shall be on commercially reasonable terms consistent with then-existing market conditions and be reasonably satisfactory to Walter Industries; *provided,* that Lehman Brothers Inc. shall act as lead manager for, and Merrill Lynch, National Westminster Bank, plc and Nomura Securities shall be given the opportunity to act as co-manager of, any Exit Financing described in clause (i) of the definition thereof, and in each case the terms of any such manager or co-manager arrangement shall be on commercially reasonable terms consistent with then-existing market conditions. Subject to the immediately following sentence, Walter Industries shall determine and fix the amount, terms and conditions of, and shall select the lenders and/or other financing sources with respect to, the New Working Capital Facility (subject to the limitation as to amount of $150 million contained in the definition thereof in the Consensual Plan) and the Mid-State Homes Warehouse Credit Facility (subject to the limitation as to amount of $500 million contained in the definition thereof in the Consensual Plan), all of which shall be on commercially reasonable terms consistent with then-existing market conditions and be reasonably satisfactory to the Bondholder Proponents; *provided,* that Walter Industries shall select Bank of Boston as lead agent or co-agent for the New Working Capital Facility, and National Westminster Bank, plc as lead agent or co-agent for the Mid-State Homes Warehouse Credit Facility, in each case if such lenders are willing to participate in such financings on terms no less favorable to Walter Industries than the terms proposed by any other financial institution previously agreed to by Walter Industries, and in each case the terms of any such agency or co-agency shall be on commercially reasonable terms consistent with then-existing market conditions; *provided, further,* that the Debtors may incur additional indebtedness (the "Replacement Indebtedness") in an amount sufficient to permit them to pay (and which shall be used to pay) either or both of the following: (i) all, but not less than all, amounts in Cash that would otherwise be satisfied by New Senior Notes issued as Qualified Securities on the Effective Date, and/or (ii) all, but not less than all, amounts in Cash that would otherwise be satisfied by New Senior Notes issued to Holders of Series B & C Senior Note Claims on the Effective Date, which may include additional indebtedness of up to $50 million in excess of such amount (unless the Debtors and Lehman Brothers Inc. shall agree to an greater amount of indebtedness), the terms and conditions of which indebtedness shall be reasonably satisfactory to the Bondholder Proponents. Notwithstanding the preceding sentence, if either (i) on or prior to January 15, 1995, the Debtors shall not have obtained fully executed and binding written commitment letters from one or more financial institutions for each of the Mid-State Homes Warehouse Credit Facility and the New Working Capital Facility, which commitment letters shall have, as conditions to funding, no conditions other than conditions customary for financings of this size and nature, which shall be consistent with the Exit Financing and which may include a customary material adverse change condition, but which may not include any condition(s) or other provision(s) that require or would require, as a condition to funding, directly or indirectly, the Confirmation Order (as described in Section 10.1(a) of the

Consensual Plan) having become a Final Order, whether any such condition(s) or provision(s) relates to issuance of opinions of counsel, officers' certificates or other certificates, any representation, warranty or covenant, or otherwise; or (ii) on or prior to the second Business Day prior to the commencement of the hearing on confirmation of the Consensual Plan, the Debtors shall not have obtained fully executed and binding definitive documents evidencing the New Working Capital Facility and the Mid-State Homes Warehouse Credit Facility, which agreements shall have, as conditions to funding, no conditions other than conditions customary for financings of this size and nature, which shall be consistent with the Exit Financing and which may include a customary material adverse change condition, but which may not include any condition(s) or other provision(s) that require or would require, as a condition to funding, directly or indirectly, the Confirmation Order (as described in Section 10.1(a) of the Consensual Plan) having become a Final Order, whether any such condition(s) or provision(s) relates to issuance of opinions of counsel, officers' certificates or other certificates, any representation, warranty or covenant, or otherwise (collectively, such documents are referred to herein as the "Definitive Financing Documents"), then, in each case from and after such date, the Bondholder Proponents shall be entitled to negotiate on behalf of and deliver to the Debtors, and the Bondholder Proponents shall exercise responsibility with respect to determining the terms and conditions of, the Mid-State Homes Warehouse Credit Facility and/or the New Working Capital Facility, as the case may be, *provided* that such facilities shall be reasonably satisfactory to Walter Industries, but need not be on the terms previously accepted by Walter Industries or the best available terms.

H. Matters Relating to Corporate Governance

1. Elimination of High-Vote Class of New Common Stock

The Creditors' Plan provided for the issuance to Classes U-4 and U-5 of a high-vote class of New Common Stock (Class A) that would be entitled to five votes per share. Other Classes that were to receive New Common Stock under the Creditors' Plan were to receive shares of Class B Common Stock having one vote per share.

The Consensual Plan eliminates the high-vote class of stock and provides for a single class of New Common Stock, each carrying one vote per share.

2. Designation of New Board of Directors of Walter Industries

The Creditors' Plan provided for the appointment of a new board of directors for each of the Debtors on the Confirmation Date. Each new board was to have eleven members, consisting of eight directors appointed by the Creditor Proponents and three current senior officers of Walter Industries (James W. Walter, Chairman, G. Robert Durham, President, Chief Executive Officer and Director, and Kenneth J. Matlock, Executive Vice President, Chief Financial Officer and Director).

The Consensual Plan provides for the appointment of a new board of directors for Walter Industries on the Effective Date, rather than on the Confirmation Date (the boards of directors for the other Debtors will not be changed under the Consensual Plan other than as determined by the applicable shareholders in accordance with applicable nonbankruptcy law). The New Board of Walter Industries is to initially consist of the following nine members:

(i) Messrs. Walter, Durham and Matlock;

(ii) One director designated by KKR;

(iii) Three directors designated by Lehman Brothers Inc., a Creditor Proponent that is the largest holder of Subordinated Note Claims; and

(iv) two Independent Directors[6] who shall be independent of any Debtor, KKR, any KKR Affiliate, any KKR Party, and any Bondholder Proponent, and who shall be selected by current management of Walter Industries from a list of qualified candidates provided by an independent search firm that shall be selected by Walter Industries and Lehman Brothers Inc. and retained by Walter Industries, copies of which list are to be provided to the Bondholders Committee contemporaneously with its submission to Walter Industries. The Consensual Plan provides that the New Board may initially consist of seven directors until the Independent Directors are selected in accordance with the procedures set forth above.

The initial term of office for each such director is three years; thereafter, directors will serve one-year terms. If any initially designated director fails for any reason to complete his initial three year term, then substitute director(s) shall be designated for the remainder of such three year term by the entity (or, in the case of independent directors, by the procedure) that initially designated the director as set forth above, except that in the case of the three director seats initially held by Messrs. Walter, Durham and Matlock, substitutes shall be senior officers(s) of Walter Industries designated by the remaining directors of Walter Industries then in office.

Notwithstanding the foregoing, after six months following the Effective Date, Lehman Brothers Inc. intends to relinquish to KKR the right to appoint one of the three Board positions initially allotted to Lehman Brothers Inc. Such decision will be in Lehman Brothers Inc.'s sole discretion, although Lehman Brothers Inc. intends to take into account the Debtors' performance, adherence to their business plans, projections and other operational and planning factors. Upon notification of such relinquishment by Lehman Brothers Inc., KKR shall have the right to compel the director identified by Lehman Brothers Inc. to resign as a member of the Board and to appoint the successor to such directorship pursuant to Section 5.2 of the Consensual Plan. In addition, during the initial three-year term of the New Board, (i) in the event that at any time after the Effective Date, Lehman Brothers Inc. and its Affiliates fail to have "beneficial" ownership, as that term is used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended ("Beneficial Ownership" and its correlative meaning "Beneficially Owned") of 8% or more of the outstanding common stock of Walter Industries (or its successor by merger, consolidation or otherwise) (without including any shares held in escrow pursuant to Section 3.26 of the Consensual Plan) (the "Outstanding Common Stock"), then if KKR and its Affiliates have, at such time, Beneficial Ownership of 8% or more of the Outstanding Common Stock, KKR shall have the right to (a) compel the director identified by Lehman Brothers Inc. (from among those designated by Lehman Brothers Inc.) to resign his or her position as a member of the New Board and (b) appoint the successor to such directorship pursuant to Section 5.2 of the Consensual Plan; (ii) in the event that at any time after the Effective Date, if two members of the New Board are KKR designees and if KKR and its Affiliates fail to have Beneficial Ownership of 8% or more of the Outstanding Common Stock, and Lehman Brothers Inc. and its Affiliates have, at such time, Beneficial Ownership of 8% or more of the Outstanding Common Stock, then Lehman Brothers Inc. shall have the right to (a) compel the director identified by KKR (from among those designated by KKR) to resign his or her position as a member of the New Board and (b) appoint the successor to such directorship pursuant to Section 5.2 of the Consensual Plan; and (iii) in the event that at any time after the Effective Date either Lehman Brothers Inc. and its Affiliates, or KKR and its Affiliates, fail to have Beneficial Ownership of 5% or more of the Outstanding Common Stock, then the directors appointed under this Section 5.2 by Lehman Brothers Inc. or by KKR, respectively, shall resign and the remaining directors of Walter Industries shall appoint their successor(s) for the reminder of the initial three-year term; *provided, however,* that notwithstanding the preceding clauses (i) - (iii), a KKR designee shall at all times be on the New Board (until the third anniversary of the Effective Date) if, and so long as, the shares of New Common Stock Beneficially Owned by KKR and its Affiliates, together with shares

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[6] The Consensual Plan defines "Independent Director" as follows:

"*Independent Director*" means a director of Walter Industries who is not (apart from such directorship) (i) an officer, Affiliate, employee, Interested Stockholder, consultant or partner of any Significant Stockholder or any Affiliate of any Significant Stockholder or of any entity that was dependent upon any Significant Stockholder or any Affiliate of any Significant Stockholder for more than 5% of its revenues or earnings in its most recent fiscal year, (ii) an officer, employee, consultant or partner of Walter Industries or any of its Affiliates or an officer, employee, Interested Stockholder, consultant or partner or an entity that was dependent upon Walter Industries or any of its Affiliates for more than 5% of its revenues or earnings in its most recent fiscal year, or (iii) any relative or spouse of any of the foregoing persons or a relative of a spouse of any of the foregoing persons.

held in escrow under Section 3.26(c) of the Consensual Plan that would be distributed to KKR or its Affiliates upon release from escrow, shall together equal 5% or more of the then outstanding common stock of Walter Industries (or its successor by merger, consolidation or otherwise) (including as part of the then outstanding common stock, for purposes of this calculation only, any shares held in escrow pursuant to Section 3.26 of the Consensual Plan).

The person designated as a director by KKR is Michael T. Tokarz, a current Vice President and Director of Walter Industries and a general partner of KKR. The persons designated as directors by Lehman Brothers Inc. are as follows:

Elliot M. Fried, 61, Managing Director of Lehman Brothers Inc. and Co-chairman of Investment Committee. Director of American Marketing Industries Inc., Bridgeport Machines Inc., Energy Ventures Inc., Lear Seating Corporation and Vernitron.

Howard L. Clark, Jr., 50, Vice Chairman of Lehman Brothers Inc. Director of Plasti-Line Inc., Maytag Corporation and Fund American Companies, Inc.

Kenneth A. Buckfire, 36, Senior Vice President of Lehman Brothers Inc. Director of Great Bay Power Corporation and Pike Advertising Services, Inc.

I. Mutual Releases by and Among Apollo, Lehman Brothers Inc., Debtors and KKR

Section 6.3 of the Consensual Plan now includes provision for the dismissal with prejudice of the KKR-Apollo Action, and the exchange of mutual releases among KKR and the Debtors, on the one hand, and Apollo and Lehman Brothers Inc., on the other hand, which releases cover the Debtors, the KKR Parties, the Apollo Parties and the Lehman Parties. The form of such releases is attached as Exhibit 7 to the Consensual Plan.

J. Releases Granted by Holders of Claims and Interests to Stockholders, Directors, Officers, etc. of Debtors

The releases contained in Section 6.1 of the Creditors' Plan did not cover the officers, directors or shareholders of the Debtors, The Celotex Corporation or Old Jim Walter except to the extent that they held Allowed Indemnity Claims against the Debtors or timely became a signatory to the Veil Piercing Settlement Agreement, and thereby became a Settling Equityholder (in the case of releases regarding the Debtors) or a Celotex/JWC Released Party (in the case of releases regarding The Celotex Corporation or Old Jim Walter).

The Consensual Plan provides that, on the Effective Date, Holders of Claims and Interests will be deemed to grant releases to the Debtors, their respective present and former parents, subsidiaries, Affiliates, officers, directors, shareholders, partners, employees, agents, advisors, predecessors in interest and representatives (except that no release is granted to The Celotex Corporation and its subsidiaries, which is a former Affiliate of the Debtors, although releases are granted to its present and former shareholders, directors, officers, employees, etc.).

As in the Creditors' Plan, among the shareholders receiving releases under Section 6.1 of the Consensual Plan are "Existing Equityholders" (defined as "Settling Equityholders" under the Creditors' Plan). Existing Equityholders are defined in the Second Amended and Restated Veil Piercing Settlement Agreement (at definition "L.") to mean each record or beneficial holder of an Old Common Stock Interest; *provided,* that, in the event that the Court shall enter an order finding (i) that such Holder acted in bad faith so as to materially breach the Second Amended and Restated Veil Piercing Settlement Agreement or to obstruct confirmation of the Consensual Plan by the date determined by operation of Section 10.1(a) of the Consensual Plan or the occurrence of the Plan Effective Date by March 31, 1995, or such later date as may be determined by operation of Section 10.2(i) of the Consensual Plan and (ii) that denial of the benefits afforded an Existing Equityholder under the Second Amended and Restated Veil Piercing Settlement Agreement and the Consensual Plan is an appropriate remedy for such misconduct, then such Holder shall not be an Existing Equityholder. If each of the KKR Entities and the senior management stockholders identified in Recital (h) of the Second Amended and Restated Veil Piercing Settlement Agreement are signatories to the Second

Amended and Restated Veil Piercing Settlement Agreement, then each other record or beneficial Holder of Old Common Stock Interests will be deemed to be an Existing Equityholder under the Consensual Plan.

K. Conditions Precedent to Confirmation and Effectiveness of the Consensual Plan

The Consensual Plan contains the following conditions to Confirmation:

a. The Court shall have entered the Confirmation Order on or prior to March 3, 1995, which order shall, among other things, include (i) the approval of the Veil Piercing Settlement and the Second Amended and Restated Veil Piercing Settlement Agreement and (ii) a finding that the filing of the Consensual Plan did not constitute a breach of the Pre-LBO Bondholders Settlement Agreement (the March 3, 1995 date may be extended until March 31, 1995 by either the Debtors or the Bondholder Proponents, and such date may be further extended solely by the Bondholder Proponents, and the finding referred to in clause (ii) above may be waived solely by the Bondholder Proponents); and

b. the Reorganization Documents (other than the New Senior Note Indenture, the instrument(s) evidencing the Qualified Securities, the New Common Stock Registration Rights Agreement and the Qualified Securities Registration Rights Agreement) shall have been executed (this condition may be waived solely by the Bondholder Proponents).

These conditions differ from the conditions to Confirmation of the Creditors' Plan in the following respects: (i) the condition relating to the entry of the Confirmation Order contained in the Creditors' Plan required that the Confirmation Order be entered by December 31, 1994, with such condition waivable solely by the Bondholders Committee (the Confirmation Order was not required to contain the approvals or finding set forth in condition (a) above; such approvals were contemplated to be obtained through entry of a separate order); (ii) the Creditors' Plan contained conditions requiring (x) that the Allowed Amount of Federal Income Tax Claims shall have been estimated by the Court or settled in an amount not in excess of $40,000,000; (y) that there shall not have occurred, in the sole determination of the Bondholders Committee, a material adverse change in the business, results of operations, condition (financial or otherwise), properties, Assets or prospects of the Debtors, taken together, from the date of the Creditors' Plan to the Confirmation Date; and (z) that the Court shall have entered an order settling and resolving all of the LBO-Related Issues as to the Released Parties, as provided in the Creditors' Plan (these conditions were waivable solely by the Bondholders Committee). In addition, the Creditors' Plan did not contain condition (b) set forth above.

The Consensual Plan contains the following conditions to effectiveness:

a. The Confirmation Order shall have become a Final Order (this condition may be waived solely by the Bondholder Proponents);

b. All conditions precedent set forth in the Second Amended and Restated Veil Piercing Settlement Agreement and all procedures set forth in Section 4(d)(ii)(A) - (J) of the Second Amended and Restated Veil Piercing Settlement Agreement shall have been complied with or waived (as provided therein); it being understood that none of the procedures set forth in such Section 4(d)(ii)(A) - (J) may be waived or modified except with the written consent of the Debtors;

c. Qualified Securities having an aggregate principal amount of not less than the sum of: (i) $530 million; (ii) the net proceeds of the financing(s) described in clause (i) of the definition of "Exit Financing" contained in the Consensual Plan in excess of $900 million, if any, up to but not in excess of $25 million, and (iii) the amount, if any, by which the Replacement Indebtedness exceeds the amount of Cash necessary to pay all Claims that would otherwise have been satisfied by New Senior Notes issued as Qualified Securities, shall be available for distribution to Classes U-4, U-5, U-6 and U-7 under the Consensual Plan;

d. The Reorganization Documents shall have been executed and delivered by all of the parties thereto and the Court shall have entered a Final Order (which may be the Confirmation Order) approving the Reorganization Documents (this condition may be waived solely by the Bondholder Proponents);

e. Mid-State Homes shall have obtained the Mid-State Homes Warehouse Credit Facility and the Debtors shall have obtained the New Working Capital Facility;

f. The Charter shall have been filed with the Secretary of State of the State of Delaware;

g. The adversary proceeding described in subparagraph (ii) of Section 6.3 shall have been dismissed with prejudice, and the releases described in subparagraph (iii) of Section 6.3 shall have been delivered;

h. The New Senior Note Indenture shall be qualified under the Trust Indenture Act of 1939; and

i. The Effective Date shall occur not later than March 31, 1995 (this date may be extended solely by the Bondholder Proponents).

These conditions differ from the conditions to effectiveness of the Creditors' Plan in the following respects: (i) the Creditors' Plan contained a condition, waivable solely by the Bondholders Committee, that the order approving the settlement and resolution of all LBO-Related Issues as to Released Parties shall have become a Final Order (the Consensual Plan does not contain a similar condition); (ii) the Creditors' Plan required a different amount of Qualified Securities to be available for distribution to Creditors than that required under the Consensual Plan, as discussed above, and permitted that condition to be waived; (iii) the Consensual Plan requires that the Debtors shall have obtained the New Working Capital Facility; (iv) the Creditors' Plan did not contain conditions (f) through (i) set forth above; and (v) the Creditors' Plan contained conditions, not contained in the Consensual Plan, regarding the fulfillment of all conditions to effectiveness of each of the Reorganization Documents (except for conditions relating to payment of money or the issuance of debt securities or New Common Stock on the Effective Date). In addition, certain conditions that were waivable solely by the Bondholders Committee under the Creditors' Plan are waivable solely by the Bondholder Proponents under the Consensual Plan.

L. Material Amendments to Amended and Restated Veil Piercing Settlement Agreement

The Amended and Restated Veil Piercing Settlement, which became effective upon approval thereof by the Celotex Bankruptcy Court on September 21, 1994, has been amended and is now embodied in the Second Amended and Restated Veil Piercing Settlement Agreement, dated as of November 22, 1994. The Second Amended and Restated Veil Piercing Settlement Agreement is subject to approval by the Court at a hearing scheduled to begin on March 1, 1995, and by the Celotex Bankruptcy Court at a hearing not yet scheduled.

The following amendments are incorporated in the Second Amended and Restated Veil Piercing Settlement Agreement:

(a) The Allowed Claim of the Veil Piercing Claimants is reduced from $450 million to $375 million;

(b) The number of shares of New Common Stock to be received under the Veil Piercing Settlement Agreement will be calculated based upon the $2.525 billion Negotiated Enterprise Value;

(c) The Debtors and KKR agree to support the request by Caplin and Drysdale, one of the law firms representing the Veil Piercing Claimants, for an award from the Debtors of $15 million in attorneys' fees on behalf of Caplin & Drysdale and the Claimants' Attorneys. To the extent that the Court awards less than $15 million, the settlement distribution will include a cash payment equal to this differential;

(d) The Debtors, their existing senior management shareholders and KKR will become signatories to the Second Amended and Restated Veil Piercing Settlement Agreement and cooperate in good faith to insure that such agreement results in finality with respect to all past, present and future asbestos litigation, but that the Bondholder Proponents (after consultation with the Debtors) will make and implement all strategic decisions that relate directly or indirectly to, among other things, finality. Section 4(d)(ii)(A) - (J) of the amended agreement describes the procedures required to be taken in order to achieve finality, the waiver or modification of which is not permitted without the Debtors' written consent.

The Court has not appointed a representative of "future asbestos claimants" in the Chapter 11 Cases, and it is not contemplated that such a representative will be appointed in the Chapter 11 Cases. One creditor in the Celotex Chapter 11 Proceeding, Aetna Casualty and Surety Company, has on two occasions contended that such a "futures representative" must be appointed in that proceeding by the Celotex Bankruptcy Court before the Celotex Bankruptcy Court could approve and authorize The Celotex Corporation to render performance under any veil piercing settlement agreement approved by the Court in the Chapter 11 Cases. In each instance, the Celotex Bankruptcy Court denied Aetna's request, finding it to be premature in that all creditors of The Celotex Corporation, present and future, have identical interests in the Veil Piercing Settlement, which provides a single fund for all Veil Piercing Claimants, present and future; distribution of that fund among present and future Veil Piercing Claimants will be determined at a later date by the Celotex Bankruptcy Court. Recently, The Celotex Corporation and an Official Celotex Committee have each requested the appointment of a future asbestos claimants representative in the Celotex Chapter 11 Proceeding. These motions are currently scheduled to be heard by the Celotex Bankruptcy Court in early 1995. The Consensual Plan Proponents believe that the appointment of a future claimants representative in the Celotex Chapter 11 Proceeding will not affect the approval of the Second Amended and Restated Veil Piercing Settlement Agreement by either the Court or the Celotex Bankruptcy Court. HOWEVER, A REPRESENTATIVE OF FUTURE ASBESTOS CLAIMANTS, IF APPOINTED IN THE CELOTEX CHAPTER 11 PROCEEDING, MAY TAKE THE POSITION THAT FUTURE CLAIMANTS ARE NOT BOUND BY THE SECOND AMENDED AND RESTATED VEIL PIERCING SETTLEMENT AGREEMENT. The Consensual Plan Proponents take the position that such future Veil Piercing Claimants *will* be bound by the Second Amended and Restated Veil Piercing Settlement Agreement and the Consensual Plan.

III. UPDATED INFORMATION CONCERNING BUSINESSES, PROPERTIES AND OTHER INFORMATION WITH RESPECT TO THE DEBTORS

Attached hereto as Exhibit 3 are consolidated financial statements of Walter Industries and management's discussion and analysis of financial condition and results of operations for the year ended May 31, 1994 (audited) and for the three months ended August 31, 1994 (unaudited). This information was prepared by the Debtors and supplements the financial disclosure and analysis attached to the Creditors' Disclosure Statement, which covered the year ended May 31, 1993 and the nine months ended February 28, 1994.

Included in Exhibit VII to the Creditors' Disclosure Statement (pages VII-1 through VII-6) is certain information as to consolidated projections of operations and cash flow of Walter Industries that is based on projections prepared by the Debtors. As a supplement thereto, Exhibit 3.C. hereto is a summary of Walter Industries' unaudited long range plan for the five years ending May 31, 1995 through 1999. These projections were prepared by the Debtors in accordance with formalized corporate planning program guidelines and procedures.

NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THE PROJECTED FINANCIAL INFORMATION OR THE ABILITY OF THE DEBTORS TO ACHIEVE THE PROJECTED RESULTS. PROJECTIONS SET FORTH IN THIS DISCLOSURE STATEMENT SUPPLEMENT REPRESENT A PREDICTION OF FUTURE EVENTS BY THE DEBTORS BASED UPON CERTAIN ASSUMPTIONS. THESE FUTURE EVENTS MAY OR MAY NOT OCCUR AND THE PROJECTIONS SHOULD NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. BECAUSE OF THE NUMEROUS RISKS AND INHERENT UNCERTAINTIES THAT AFFECT THE OPERATIONS OF THE DEBTORS, THE ACTUAL RESULTS OF OPERATIONS UNDOUBTEDLY WILL BE DIFFERENT FROM THOSE PROJECTED, AND SUCH DIFFERENCES MAY BE MATERIAL AND MAY BE ADVERSE.

For the five months ended October 31, 1994, consolidated net sales and revenues of $588.1 million were $29.8 million, or 4.8%, lower than plan, and EBIT (earnings before interest and taxes) of $100.5 million were $25.1 million, or 20.0%, lower than plan. The reduced EBIT was largely the result of lower than anticipated earnings of Mid-State Homes and Jim Walter Resources' Mining Division, coupled with higher Chapter 11 costs. Mid-State Homes' lower EBIT performance was principally due to a decrease in time charge income

reflecting lower than projected payoffs received in advance of maturity. Jim Walter Resources Mining Division's reduced EBIT performance resulted from lower than anticipated shipments of coal to the Japanese steel mills and other export customers and reduced coal mining productivity which resulted in higher costs per ton of coal produced, partially offset by higher coal selling prices. Reduced coal mining productivity was the result of limited production at Blue Creek Mine No. 5 due to the recurrence of spontaneous combustion heatings that shut down the mine from early April 1994 until May 16, 1994, together with various geological problems at Blue Creek Mines No. 3 and No. 4. Development mining for the two remaining longwall panels in the northwest section of Mine No. 5 resumed on May 16, 1994 and the first longwall panel will be ready for mining in January 1995. Chapter 11 costs exceeded plan due to the filing of three amended plans of reorganization, printing, mailing and noticing costs associated with the Debtors' Plan and the Creditors' Plan and litigation expenses associated with the trial of certain preliminary issues relating to the then-pending Debtors' Plan and the Creditors' Plan. It is Walter Industries' current estimate that EBIT for the year ending May 31, 1995 will probably be moderately below plan.

Included in Exhibit VII to the Creditors' Disclosure Statement (pages VII-7 through VII-9) is a Pro Forma Consolidated Balance Sheet of Walter Industries at December 31, 1994 on a "Fresh Start" accounting basis. At the present time it has not been finally determined whether "Fresh Start" accounting or a continuation of the present "Historical Cost" accounting will be used. However, except for changes relating to modifications in the Consensual Plan from the Creditors' Plan, as set forth herein, such as amounts of debt securities to be issued and other minor plan revisions, the only significant change to such "Fresh Start" Pro Forma Consolidated Balance Sheet if "Historical Cost" accounting is used, would be a reduction of approximately $750 million from "Reorganization Value in Excess of Amounts Allocable to Unidentifiable Assets" as shown in the Pro Forma Consolidated Balance Sheet and an equal reduction in "Total Stockholders Equity".

IV. UPDATED INFORMATION REGARDING CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The discussion of the tax treatment of the Equity Call Option contained in Article IV of the Creditor's Disclosure Statement is no longer relevant since the Consensual Plan does not provide for the issuance of Equity Call Options. Holders of Class E-1 Interests that receive New Common Stock (either directly or through issuance to the escrow account to be established on behalf of the Holders of the Class E-1 Interests (the "Escrow Account") pursuant to paragraph (c) of Section 3.26 of the Consensual Plan (the "Contingent Shares")) in exchange for the surrender (or cancellation) of shares of Old Common Stock held by such Holder should be regarded as participating in a tax-free exchange or recapitalization, the tax consequences of which are described in Section IV.B.2.(b) of the Creditors' Disclosure Statement ("Tax Treatment of Exchanging Holders by Class"). Thus, the Class E-1 Interest Holders should not recognize gain or loss on the exchange of their Interests for New Common Stock (including the Contingent Shares). However, if and to the extent that any Contingent Shares are issued to the Holders of Class E-1 Interests or to the Escrow Account on a date that is later than one year after the Effective Date, a portion of the Contingent Shares received by such Holder or the Escrow Account may be treated as ordinary interest income to the Holder in an amount equal to the IRC-imputed interest on any Contingent Shares issued to the Holder or the Escrow Account more than six months after the Effective Date.

Qualified Securities to be issued under the Consensual Plan will consist solely of cash and New Senior Notes of Walter Industries, Inc. and/or one or more other Debtors. If such New Senior Notes are issued by Walter Industries and if they qualify as "tax securities," the tax consequences of the exchange to Holders of Claims in Class U-6 will be as described in Section IV.B.2(c) of the Creditor's Disclosure Statement ("Tax Treatment of Exchanging Holders by Class"). Although the issue is not free from doubt, the New Senior Notes issued as Qualified Securities are not likely to be considered to be "tax securities" because such Notes have features that are not indicative of a tax security; for example, the New Senior Notes issued as Qualified Securities will have a maturity date of five years and may be redeemed at any time by the issuer. Thus, Holders of Claims in Class U-6 that receive a combination of Qualified Securities (including Cash) and New Common Stock in exchange for their Class U-6 Claims may recognize gain (but not loss) on the exchange

but not in excess of the fair market value of the "boot" (i.e., the Qualified Securities) received in the exchange. Class U-6 Claim Holders that do not receive any New Common Stock will recognize gain or loss in full on the exchange in the manner described in Section IV.B.2(a) of the Creditor's Disclosure Statement. The tax treatment of Holders of Claims in Classes U-4, U-5 and U-7 is not affected by the change in the nature of Qualified Securities and thus Section IV.B.2.(a) of the Creditor's Disclosure Statement continues to apply to such Holders.

If and to the extent that a Holder is deemed to receive any shares of New Common Stock in exchange for other than such Holder's Claim against or Interest in the Debtor, the fair market value of such shares may represent taxable income to such Holder.

The Consensual Plan Proponents expect that the Celotex Settlement Fund Recipient will be a trust structured to qualify under Code Section 524(g) (the "Trust"). For Federal income tax purposes, the Trust may be considered to be a "Qualified Settlement Fund" within the meaning of IRC Section 468B and Regulations Section 1.468B (a "QSF") or, if the Trust does not qualify as a QSF, as a "grantor trust" that is transparent for tax purposes.

Irrespective of the classification of the Trust for tax purposes, Walter Industries generally will not recognize gain or loss upon the transfer of New Common Stock and Qualified Securities to the Trust. Walter Industries should be entitled to a deduction in an amount equal to the value of the New Common Stock and Qualified Securities, although the timing of such deduction depends upon whether the Trust is treated as a QSF or a grantor trust.

In general, an accrual-basis taxpayer such as Walter Industries may not deduct an expense until (i) all events have occurred that determine the fact of the liability and (ii) the amount of the liability can be estimated with reasonable accuracy. The "all-events" test will not be considered to be met until "economic performance" with respect to the item occurs. If the Trust is a QSF, economic performance would be deemed to occur as New Common Stock is transferred to the Trust but, with respect to the Qualified Securities, would not occur until Walter Industries (or any obligor-Debtor that is a related party) makes principal payments on the Qualified Securities. If the Trust is not a QSF but qualifies as a grantor trust, economic performance should be held to occur in the year that Walter Industries transfers New Common Stock and Qualified Securities of an issuer other than Walter Industries to the Trust.

If the Trust is a QSF, the Trust will be treated as a separate taxpayer for income tax purposes. The Trust will have a fair market value basis in the shares of New Common Stock received pursuant to the Consensual Plan and constituting its corpus, and any dividends paid on the New Common Stock (and interest paid on the Qualified Securities) before such corpus is distributed will be taxable to the Trust. The Trust will be required to treat distributions of New Common Stock to the Veil Piercing Claimants as a sale at fair market value on the date of the distribution, thus recognizing taxable gain or loss on the distribution if the New Common Stock value is greater or less than the Trust's adjusted tax basis in such Stock on the distribution date. Although the issue is not free from doubt, the Trust should neither have basis in, nor recognize gain or loss upon the distribution of, Qualified Securities (other than Cash) since the transfer of Qualified Securities will not be treated as a transfer of property for purpose of IRC Section 468B. The New Common Stock and Qualified Securities distributed by the Trust, under IRC Section 104, may be excludible from the gross income of the Veil Piercing Claimants and such New Common Stock and Qualified Securities would have a fair market value basis to the Claimants.

Alternatively, if the Trust does not qualify as a QSF but instead qualifies as a grantor trust, the Trust will be transparent for tax purposes and the beneficiaries thereof will be treated as the owners of the Trust property. In such case, payments by Walter Industries to the Trust would be treated as being paid directly to the Claimants, and may be excludible from the gross income of the Claimants pursuant to IRC Section 104. Dividends paid on the New Common Stock and interest paid on the Qualified Securities during the period they are held by the Trust would be treated as received by (and would be taxable to) the beneficiaries thereof (even if not distributed during the same taxable period to such beneficiaries).

Dated: December 9, 1994
New York, New York

OFFICIAL BONDHOLDERS COMMITTEE OF HILLSBOROUGH HOLDINGS CORPORATION, ET AL.

By: /s/ DANIEL H. GOLDEN
Daniel H. Golden, Esq.

OFFICIAL COMMITTEE OF GENERAL UNSECURED
CREDITORS OF HILLSBOROUGH HOLDINGS CORPORATION, ET AL.

By: /s/ MARC S. KIRSCHNER
Marc S. Kirschner, Esq.

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

By: /s/ ROBERT DRAIN
Robert Drain
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For Lehman Brothers Inc.

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

By: /s/ STEVEN M. PESNER
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For Apollo

MARCUS MONTGOMERY WOLFSON P.C.

By: /s/ PETER WOLFSON
Peter Wolfson
Sara Chenetz
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(212) 858-5200

For Ad Hoc Committee of Pre-LBO Bondholders

KAYE, SCHOLER, FIERMAN, HAYS & HANDLER

By: /s/ ANDREW A. KRESS
Andrew A. Kress, Esq.
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For: HILLSBOROUGH HOLDINGS CORPORATION,
BEST INSURORS, INC.,
BEST INSURORS OF MISSISSIPPI, INC.,
COAST TO COAST ADVERTISING, INC.,
COMPUTER HOLDINGS CORPORATION,
DIXIE BUILDING SUPPLIES, INC.,
HAMER HOLDINGS CORPORATION,
HAMER PROPERTIES, INC.,
HOMES HOLDINGS CORPORATION,
JIM WALTER COMPUTER SERVICES, INC.,
JIM WALTER HOMES, INC.,
JIM WALTER INSURANCE SERVICES, INC.,
JIM WALTER RESOURCES, INC.,
JIM WALTER WINDOW COMPONENTS, INC.,
JW ALUMINUM COMPANY,
JW RESOURCES, INC.,
JW RESOURCES HOLDINGS CORPORATION,
J.W.I. HOLDINGS CORPORATION,
J.W. WALTER, INC.,
JW WINDOW COMPONENTS, INC.,
LAND HOLDINGS CORPORATION,
MID-STATE HOMES, INC.,
MID-STATE HOLDINGS CORPORATION,
RAILROAD HOLDINGS CORPORATION,
SLOSS INDUSTRIES CORPORATION,
SOUTHERN PRECISION CORPORATION,
UNITED LAND CORPORATION,
UNITED STATES PIPE AND FOUNDRY COMPANY,
U.S. PIPE REALTY, INC.,
VESTAL MANUFACTURING COMPANY,
WALTER HOME IMPROVEMENT, INC.,
WALTER INDUSTRIES, INC., and
WALTER LAND COMPANY

JWC ASSOCIATES, L.P.
JWC ASSOCIATES II, L.P.
KKR PARTNERS II, L.P.

By: KKR ASSOCIATES

By: /s/ HENRY R. KRAVIS
Name: Henry R. Kravis
Title: General Partner

EXHIBIT 1:

AMENDED JOINT PLAN OF REORGANIZATION

MARKED TO SHOW CHANGES
FROM CREDITORS' PLAN
DATED AS OF AUGUST 1, 1994

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re	Chapter 11 Jointly Administered
HILLSBOROUGH HOLDINGS CORPORATION,	Case No. 89-9715-8P1
BEST INSURORS, INC.,	Case No. 89-9740-8P1
BEST INSURORS OF MISSISSIPPI, INC.,	Case No. 89-9737-8P1
COAST TO COAST ADVERTISING, INC.,	Case No. 89-9727-8P1
COMPUTER HOLDINGS CORPORATION,	Case No. 89-9724-8P1
DIXIE BUILDING SUPPLIES, INC.,	Case No. 89-9741-8P1
HAMER HOLDINGS CORPORATION,	Case No. 89-9735-8P1
HAMER PROPERTIES, INC.,	Case No. 89-9739-8P1
HOMES HOLDINGS CORPORATION,	Case No. 89-9742-8P1
JIM WALTER COMPUTER SERVICES, INC.,	Case No. 89-9723-8P1
JIM WALTER HOMES, INC.,	Case No. 89-9746-8P1
JIM WALTER INSURANCE SERVICES, INC.,	Case No. 89-9731-8P1
JIM WALTER RESOURCES, INC.,	Case No. 89-9738-8P1
JIM WALTER WINDOW COMPONENTS, INC.,	Case No. 89-9716-8P1
JW ALUMINUM COMPANY,	Case No. 89-9718-8P1
JW RESOURCES, INC.,	Case No. 90-11997-8P1
JW RESOURCES HOLDINGS CORPORATION,	Case No. 89-9719-8P1
J.W.I. HOLDINGS CORPORATION,	Case No. 89-9721-8P1
J.W. WALTER, INC.,	Case No. 89-9717-8P1
JW WINDOW COMPONENTS, INC.,	Case No. 89-9732-8P1
LAND HOLDINGS CORPORATION,	Case No. 89-9720-8P1
MID-STATE HOMES, INC.,	Case No. 89-9725-8P1
MID-STATE HOLDINGS CORPORATION,	Case No. 89-9726-8P1
RAILROAD HOLDINGS CORPORATION,	Case No. 89-9733-8P1
SLOSS INDUSTRIES CORPORATION,	Case No. 89-9743-8P1
SOUTHERN PRECISION CORPORATION,	Case No. 89-9729-8P1
UNITED LAND CORPORATION,	Case No. 89-9730-8P1
UNITED STATES PIPE AND FOUNDRY COMPANY,	Case No. 89-9744-8P1
U.S. PIPE REALTY, INC.,	Case No. 89-9734-8P1
VESTAL MANUFACTURING COMPANY,	Case No. 89-9728-8P1
WALTER HOME IMPROVEMENT, INC.,	Case No. 89-9722-8P1
WALTER INDUSTRIES, INC., and	Case No. 89-9745-8P1
WALTER LAND COMPANY,	Case No. 89-9736-8P1
Debtors.	

AMENDED JOINT PLAN OF REORGANIZATION
DATED AS OF DECEMBER 9, 1994 (THE "CONSENSUAL PLAN")

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TABLE OF CONTENTS

EXHIBITS

1. Restated Certificate of Incorporation of Walter Industries
2. Summary of Terms for the New Senior Notes
3A. Second Amended and Restated Veil Piercing Settlement Agreement
3B. Pre-LBO Bondholders Settlement Agreement
4. Form of New Common Stock Registration Rights Agreement
5. Form of Qualified Securities Registration Rights Agreement
6. Rejected Executory Contracts
7. Form of Mutual Releases
8. List of Record Holders of Subordinated Note Claims That Made Subordinated Note Claim Election and Aggregate Amount of Claim of Each Such Holder Elected to be Received in the Form of Qualified Securities Pursuant to Subordinated Note Claim Election

AMENDED JOINT PLAN OF REORGANIZATION DATED AS OF DECEMBER 9, 1994

The Bondholders Committee (as defined), Lehman Brothers Inc., Apollo (as defined), the Creditors Committee (as defined), the Ad Hoc Committee of Pre-LBO Bondholders (as defined), the Debtors (as defined) and the KKR Proponents (as defined) (collectively, the "Proponents") hereby propose the following joint plan of reorganization (as defined herein, the "Consensual Plan") pursuant to the provisions of chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 et *seq.*

Capitalized terms shall have the meanings set forth in Article I hereof.

Unconsolidated Plan

The Debtors' Chapter 11 Cases are being jointly administered pursuant to an order of the Court and the Consensual Plan is being presented as a joint plan of reorganization of the Debtors for administrative purposes only. The Consensual Plan is not predicated upon a substantive consolidation of the Chapter 11 Cases and nothing herein shall be otherwise construed. Pursuant to the Consensual Plan, Claims and/or Interests with respect to any Debtor shall be satisfied by such Debtor or its successor, except that, as an element of the settlements provided for in the Consensual Plan, with respect to the distribution of New Senior Notes to Holders of Allowed Claims in Classes S-6, U-4, U-5, U-6 and U-7, the issuer of such securities may be a Debtor other than the Debtor against which the Claim is asserted. Accordingly, except as noted in the previous sentence, Claims and Interests have been classified in Article II hereof with respect to each Debtor, and Article III hereof provides for the treatment of such Allowed Claims and/or Interests by the Debtor to which such Claims and/or Interests relate.

Mirror Liquidation Plan

Pursuant to an order of the Court dated November 5, 1990 (the "Mirror Liquidation Order"), certain of the Debtors, including Hillsborough, Old Walter Industries, Jim Walter Resources, JW Resources, Resources Holdings, United Land, and Pipe Realty, completed plans of liquidation or merger, or effected or received other distributions which had been approved and adopted by them prior to the Filing Date as part of the Debtors' mirror liquidation plans (the "Mirror Liquidation Plan"). As a result of the completion of the Mirror Liquidation Plan, certain Debtors have been completely liquidated or merged with other Debtors and no longer exist as separate legal entities. Pursuant to the Mirror Liquidation Order, all rights of Creditors of Hillsborough, Old Walter Industries, Jim Walter Resources, Resources Holdings, JW Resources, United Land, Pipe Realty and any other Debtor affected by the Mirror Liquidation Plan have been classified, and, except as otherwise set forth in this paragraph, are addressed in the Consensual Plan without giving effect to corporate changes resulting from the completion of the Mirror Liquidation Plan. Obligations, financial and nonfinancial, of a Debtor under the Consensual Plan shall automatically be assumed and performed by its successor, if any, under the Mirror Liquidation Plan. Where the Assets and liabilities of a Debtor have been transferred to more than one other Debtor pursuant to the Mirror Liquidation Plan, the obligations under the Consensual Plan of the transferring Debtor shall be assumed and performed by the successor Debtors, each successor Debtor being responsible for satisfying Allowed Claims of a predecessor Debtor to the extent that the liabilities of the predecessor Debtor were expressly assumed by such successor Debtor pursuant to the Mirror Liquidation Plan.

Cross References

For ease of reference in the Consensual Plan, any Allowed Claim against any Debtor in any Class is lettered consistently throughout all Classes, as indicated below. For example, Allowed Claims with respect to U.S. Pipe in Class S-1 are included in Class S-1AA, those in Class U-3 are included in Class U-3AA, and so on. Allowed Claims and/or Interests with respect to each Debtor are set forth in the following Classes:

A. Hillsborough — Classes S-1A, S-2A, S-6A, S-8A, S-9A, S-10A, U-2A, U-3A, U-4A, U-5A, U-7A, I-2A, I-3A, E-1A and E-2A;

B. Best — Classes S-1B, S-8B, S-10B, U-2B, U-3B, I-2B, U-7B, I-3B, SE-1B and SE-2B;

C. Best (Miss.) — Classes S-1C, S-8C, S-10C, U-2C, U-3C, U-7C, I-2C, I-3C, SE-1C and SE-2C;

D. Coast to Coast — Classes S-1D, S-8D, S-10D, U-2D, U-3D, U-7D, I-2D, I-3D, SE-1D and SE-2D;

E. Computer Holdings — Classes S-1E, S-2E, S-8E, S-9E, S-10E, U-2E, U-3E, U-7E, I-2E, I-3E, SE-1E and SE-2E;

F. Dixie — Classes S-1F, S-8F, S-10F, U-2F, U-3F, U-7F, I-2F, I-3F, SE-1F and SE-2F;

G. Hamer Holdings — Classes S-1G, S-2G, S-8G, S-9G, S-10G, U-2G, U-3G, U-7G, I-2G, I-3G, SE-1G and SE-2G;

H. Hamer Properties — Classes S-1H, S-8H, S-10H, U-2H, U-3H, U-7H, I-2H, I-3H, SE-1H and SE-2H;

I. Homes Holdings — Classes S-1I, S-2I, S-6I, S-8I, S-9I, S-10I, U-2I, U-3I, U-4I, U-5I, U-7I, I-2I, I-3I, SE-1I and SE-2I;

J. Computer Services — Classes S-1J, S-5J, S-8J, S-10J, U-2J, U-3J, U-7J, I-2J, I-3J, SE-1J and SE-2J;

K. Jim Walter Homes — Classes S-1K, S-6K, S-8K, S-10K, U-2K, U-3K, U-4K, U-5K, U-7K, I-2K, I-3K, SE-1K and SE-2K;

L. JW Insurance — Classes S-1L, S-8L, S-10L, U-2L, U-7L, U-3L, I-3L, SE-1L and SE-2L;

M. Jim Walter Resources — Classes S-1M, S-2M, S-6M, S-8M, S-9M, S-10M, U-2M, U-3M, U-7M, I-2M, I-3M, SE-1M and SE-2M;

N. Window Components (Wisc.) — Classes S-1N, S-8N, S-10N, U-2N, U-3N, U-7N, I-2N, I-3N, SE-1N and SE-2N;

O. JW Aluminum — Classes S-1O, S-2O, S-5O, S-8O, S-9O, S-10O, U-2O, U-3O, U-7O, I-2O, I-3O, SE-1O and SE-2O;

P. Resources Holdings — Classes S-1P, S-2P, S-6P, S-8P, S-9P, S-10P, U-2P, U-3P, U-7P, I-2P, I-3P, SE-1P and SE-2P;

Q. JWI Holdings — Classes S-1Q, S-2Q, S-8Q, S-9Q, S-10Q, U-2Q, U-3Q, U-7Q, I-2Q, I-3Q, SE-1Q and SE-2Q;

R. JW Walter — Classes S-1R, S-8R, S-10R, U-2R, U-3R, U-7R, I-2R, I-3R, SE-1R and SE-2R;

S. Window Components — Classes S-1S, S-2S, S-5S, S-8S, S-9S, S-10S, U-2S, U-3S, U-7S, I-2S, I-3S, SE-1S and SE-2S;

T. Land Holdings — Classes S-1T, S-2T, S-8T, S-9T, S-10T, U-2T, U-3T, U-7T, I-2T, I-3T, SE-1T and SE-2T;

U. Mid-State Homes — Classes S-10U, U-2U, U-3U, U-7U, I-2U, I-3U, SE-1U and SE-2U;

V. Mid-State Holdings — Classes S-1V, S-2V, S-8V, S-9V, S-10V, U-2V, U-3V, U-7V, I-2V, I-3V, SE-1V and SE-2V;

W. Railroad Holdings — Classes S-1W, S-2W, S-8W, S-9W, S-10W, U-2W, U-3W, U-7W, I-2W, I-3W, SE-1W and SE-2W;

X. Sloss — Classes S-1X, S-2X, S-4X, S-5X, S-8X, S-9X, S-10X, U-2X, U-3X, U-7X, I-1X, I-2X, I-3X, SE-1X and SE-2X;

Y. Southern Precision — Classes S-1Y, S-2Y, S-5Y, S-8Y, S-9Y, S-10Y, U-2Y, U-3Y, U-7Y, I-2Y, I-3Y, SE-1Y and SE-2Y;

Z. United Land — Classes S-1Z, S-2Z, S-6Z, S-8Z, S-9Z, S-10Z, U-2Z, U-3Z, U-4Z, U-5Z, U-7Z, I-2Z, I-3Z, SE-1Z and SE-2Z;

AA. U.S. Pipe — Classes S-1AA, S-2AA, S-5AA, S-6AA, S-8AA, S-9AA, S-10AA, U-2AA, U-3AA, U-4AA, U-5AA, U-7AA, I-2AA, I-3AA, SE-1AA and SE-2AA;

BB. Pipe Realty — Classes S-1BB, S-2BB, S-8BB, S-9BB, S-10BB, U-2BB, U-3BB, U-7BB, I-2BB, I-3BB, SE-1BB and SE-2BB;

CC. Vestal — Classes S-1CC, S-2CC, S-8CC, S-9CC, S-10CC, U-2CC, U-3CC, U-7CC, I-2CC, I-3CC, SE-1CC and SE-2CC;

DD. Home Improvement — Classes S-10DD, U-2DD, U-3DD, U-7DD, I-2DD, I-3DD, SE-1DD and SE-2DD;

EE. Old Walter Industries — Classes S-1EE, S-2EE, S-3EE, S-6EE, S-7EE, S-8EE, S-9EE, S-10EE, U-1EE, U-2EE, U-3EE, U-4EE, U-5EE, U-6EE, U-7EE, I-2EE, I-3EE, SE-1EE and SE-2EE;

FF. Walter Land — Classes S-1FF, S-2FF, S-8FF, S-9FF, S-10FF, U-2FF, U-3FF, U-7FF, I-2FF, I-3FF, SE-1FF and SE-2FF;

GG. JW Resources — Classes S-1GG, S-8GG, S-10GG, U-2GG, U-3GG, U-7GG, I-3GG, SE-1GG and SE-2GG.

ARTICLE I

DEFINITIONS

Unless otherwise provided in the Consensual Plan, all terms used herein shall have the meanings assigned to such terms in the Code. For purposes of the Consensual Plan, the following terms (which appear in the Consensual Plan as capitalized terms) shall have the meanings set forth below, and such meanings shall be equally applicable to the singular and plural forms of the terms defined, unless the context otherwise requires.

1.1 *"10⅞% Indenture Trustee"* shall mean the trustee under the 10⅞% Subordinated Debenture Indenture.

1.2 *"10⅞% Subordinated Debenture Claims"* shall mean all Claims arising under the 10⅞% Subordinated Debentures and the 10⅞% Subordinated Debenture Indenture, other than Claims for fees and expenses of the 10⅞% Indenture Trustee.

1.3 *"10⅞% Subordinated Debenture Indenture"* shall mean the Indenture dated as of May 1, 1983, as amended, between Original Jim Walter and Mellon Bank, N.A., as trustee, as assumed as of January 7, 1988 by Old Walter Industries.

1.4 *"10⅞% Subordinated Debentures"* shall mean the 10⅞% Subordinated Debentures due 2008 of Old Walter Industries, as successor to Original Jim Walter, issued pursuant to the 10⅞% Subordinated Debenture Indenture.

1.5 *"13⅛% Indenture Trustee"* shall mean the trustee under the 13⅛% Subordinated Note Indenture.

1.6 *"13⅛% Subordinated Note Claims"* shall mean all Claims arising under the 13⅛% Subordinated Notes and the 13⅛% Subordinated Note Indenture, other than Claims for fees and expenses of the 13⅛% Indenture Trustee.

1.7 *"13⅛% Subordinated Note Indenture"* shall mean the Indenture dated as of February 1, 1983, as amended, between Original Jim Walter and The Bank of New York, as successor trustee to Irving Trust Company, as assumed as of January 7, 1988 by Old Walter Industries.

1.8 *"13⅛% Subordinated Notes"* shall mean the 13⅛% Subordinated Notes due 1993 of Old Walter Industries, as successor to Original Jim Walter, issued pursuant to the 13⅛% Subordinated Note Indenture.

1.9 *"13¾% Indenture Trustee"* shall mean the trustee under the 13¾% Subordinated Debenture Indenture.

1.10 *"13¾% Subordinated Debenture Claims"* shall mean all Claims arising under the 13¾% Subordinated Debentures and the 13¾% Subordinated Debenture Indenture, other than Claims for fees and expenses of the 13¾% Indenture Trustee.

1.11 *"13¾% Subordinated Debenture Indenture"* shall mean the Indenture dated as of February 1, 1983, as amended, between Original Jim Walter and The Bank of New York, as successor trustee to Irving Trust Company, as assumed as of January 7, 1988 by Old Walter Industries.

1.12 *"13¾% Subordinated Debentures"* shall mean the 13¾% Subordinated Debentures due 2003 of Old Walter Industries, as successor to Original Jim Walter, issued pursuant to the 13¾% Subordinated Debenture Indenture.

1.13 *"17% Indenture Trustee"* shall mean the trustee under the 17% Subordinated Note Indenture.

1.14 *"17% Subordinated Note Claims"* shall mean all Claims arising under the 17% Subordinated Notes and the 17% Subordinated Note Indenture, other than Claims for fees and expenses of the 17% Indenture Trustee.

1.15 *"17% Subordinated Note Indenture"* shall mean the Indenture dated as of January 1, 1988, as amended, among Jim Walter Homes, United Land and U.S. Pipe, as issuers, Hillsborough, Old Walter Industries and Homes Holdings, as guarantors, and IBJ Schroder Bank & Trust Company, as successor trustee to Southeast Bank, N.A.

1.16 *"17% Subordinated Notes"* shall mean the Subordinated Notes due 1996 of Jim Walter Homes, United Land and U.S. Pipe, issued pursuant to the 17% Subordinated Note Indenture.

1.17 *"Ad Hoc Committee of Pre-LBO Bondholders"* shall mean the unofficial committee of certain holders of 10⅞% Subordinated Debentures, 13⅛% Subordinated Notes and 13¾% Subordinated Debentures, the members of which consist of, as of the date hereof, Gabriel Capital, L.P. and The Acacia Mutual Life Insurance Company, each as voting members, and Mellon Bank, N.A., as indenture trustee and The Bank of New York, as indenture trustee, each as non-voting *ex officio* members.

1.18 *"Administrative Claims"* shall mean and be the collective reference to, to the extent entitled to and allowed priority in payment under Section 507(a)(1) of the Code or as may be allowed by a Final Order: (a) all of the costs and expenses of administration of the Chapter 11 Cases, including, without limitation, the costs and expenses allowed under Section 503(b) of the Code, the actual and necessary costs and expenses of preserving the estate of each of the Debtors and operating the business of each of the Debtors, all Fee Claims, any indebtedness or obligations incurred or assumed by any of the Debtors, and any fees or charges assessed against the estate of any of the Debtors under 28 U.S.C. § 1930; (b) Executory Contract Claims; (c) Indenture Trustees Claims (of which the Claims of the Series B & C Senior Note Trustee shall be Allowed Claims under Section 506(b) of the Code); and (d) if the Pre-LBO Condition does not occur, all of the Proponents Expenses.

1.19 *"Affiliate"* of a Person means any Person that controls, is under direct or indirect common control with, or is controlled by, such other Person. For purposes of this definition, "control" means the ability of one Person to direct the management and policies of another Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.

1.20 *"Allowed Amount"* shall mean:

(a) with respect to any Administrative Claim or Priority Claim, the amount of such Claim as agreed to by Walter Industries (subject to Section 4.20 of the Consensual Plan with respect to Federal

Income Tax Claims) and the Holder of such Claim and approved by a Final Order of the Court to the extent required by the Code or, failing agreement, the amount thereof as fixed by a Final Order of the Court, including with respect to an Executory Contract Claim, the amount of such Claim as determined in accordance with the procedures set forth in Section 8.2 of the Consensual Plan;

(b) with respect to any Revolving Credit Bank Claim, an amount equal to a Pro Rata portion of the sum of (i) the Adjusted Revolving Loan Claim (as defined below) as of the Effective Date, (ii) interest on the Adjusted Revolving Loan Claim for the period from December 27, 1989 through October 31, 1992 at the Chemical Bank Prime Rate plus 1.5% per annum (the "Stub Period Interest," and together with the Adjusted Revolving Loan Claim, the "Revolving Credit Bank Claim Stub Period Amount"), (iii) interest on the Revolving Credit Bank Claim Stub Period Amount for the period November 1, 1992 through the earlier to occur of (A) the date of the Initial Revolving Credit Bank Claim Payment and (B) June 30, 1994 at the Chemical Bank Prime Rate plus 1.5% per annum, compounded on each January 1, April 1, July 1 and October 1 (the "Post-Stub Period Interest"), (iv) in the event that all or any portion of the Initial Revolving Bank Claim Payment is not made on or prior to June 30, 1994, the sum of (A) interest on the sum of the Stub Period Interest and the Post-Stub Period Interest (or the unpaid portion of either thereof) for the period from July 1, 1994 through the date on which the Initial Revolving Credit Claim Payment is made (or such portion is paid), at 13% per annum, and (B) interest on the Adjusted Revolving Loan Claim for the period from July 1, 1994 through the date on which the Initial Revolving Credit Claim Payment is made, at the Chemical Bank Prime Rate plus 1.5% per annum, in the case of each of (A) and (B), compounded on each January 1, April 1, July 1 and October 1, (v) interest on the Adjusted Revolving Loan Claim from the date of the Initial Revolving Credit Bank Claim Payment through the Effective Date at the Chemical Bank Prime Rate plus 1.5% per annum, compounded on each January 1, April 1, July 1 and October 1 if not paid currently in accordance with Section 3.6(b) and (vi) additional interest consisting of that number of shares of New Common Stock which is the product of multiplying the New Common Stock Residual Amount by a fraction, the numerator of which is $28,220,625, and the denominator of which is the New Common Stock Residual Allocation Denominator (the term "Adjusted Revolving Loan Claim" shall mean, as of any date commencing on December 27, 1989, $243,666,041 as reduced from time to time by repayments of principal thereof and interest thereon, including payments of $5,794,016 of Beijer Proceeds and Bank Setoff Proceeds as of October 19, 1990 and $8,248,821 of Apache Note Proceeds as of June 18, 1991);

(c) with respect to any Working Capital Bank Claim, an amount equal to a Pro Rata portion of the sum of (i) the Adjusted Working Capital Claim (as defined below) as of the Effective Date, (ii) interest on the Adjusted Working Capital Claim for the period from December 27, 1989 through October 31, 1992 at the Chemical Bank Prime Rate plus 1.5% per annum (the "Stub Period Interest," and together with the Adjusted Working Capital Claim, the "Working Capital Bank Claim Stub Period Amount"), (iii) interest on the Working Capital Bank Claim Stub Period Amount for the period November 1, 1992 through the earlier to occur of (A) the date of the Initial Working Capital Bank Claim Payment and (B) June 30, 1994 at the Chemical Bank Prime Rate plus 1.5% per annum, compounded on each January 1, April 1, July 1 and October 1 (the "Post-Stub Period Interest"), (iv) in the event that all or any portion of the Initial Working Capital Bank Claim Payment is not made on or prior to June 30, 1994, the sum of (A) interest on the sum of the Stub Period Interest and the Post-Stub Period Interest (or the unpaid portion of either thereof) for the period from July 1, 1994 through the date on which the Initial Working Capital Bank Claim Payment is made (or such portion is paid), at 13% per annum, and (B) interest on the Adjusted Working Capital Claim for the period from July 1, 1994 through the date on which the Initial Working Capital Bank Claim Payment is made, at the Chemical Bank Prime Rate plus 1.5% per annum, in the case of each of (A) and (B), compounded on each January 1, April 1, July 1 and October 1, (v) interest on the Adjusted Working Capital Claim from the date of the Initial Working Capital Bank Claim Payment through the Effective Date at the Chemical Bank Prime Rate plus 1.5% per annum, compounded on each January 1, April 1, July 1 and October 1 if not paid currently in accordance with Section 3.7(b) and (vi) additional interest consisting of that number of shares of New Common Stock which is the product of multiplying the New Common Stock Residual Amount by a fraction, the numerator of which is $9,279,375, and the denominator of which is the New Common Stock Residual

Allocation Denominator (the term "Adjusted Working Capital Claim" shall mean, as of any date commencing on December 27, 1989, $80,245,869 as (x) increased from time to time by letter of credit draws, including draws of $2,000,000 as of January 3, 1990 and $900,000 as of June 11, 1990 and (y) reduced from time to time by repayments of principal thereof and interest thereon, including payments of $1,561,751 of Beijer Proceeds and Bank Setoff Proceeds as of October 19, 1990 and $2,805,305 of Apache Note Proceeds as of June 18, 1991);

(d) with respect to any Revolving Credit Agents Claim and Working Capital Agents Claim, the amount thereof determined in accordance with the Revolving Credit Agreement and Working Capital Agreement, respectively;

(e) with respect to any Series B & C Senior Note Claim, an amount equal to the sum of (i) the principal amount thereof due and owing as of the Filing Date, (ii) interest on such principal amount accrued and unpaid as of the Filing Date calculated at the non-default contract rate, (iii) (a) with respect to amounts paid in Cash under Section 3.11 of the Consensual Plan, interest on such principal amount and interest, accrued from the Filing Date to June 30, 1994 calculated at a rate of 13.0% per annum, and accrued from July 1, 1994 to the Effective Date calculated at a rate of 14⅝% per annum; and (b) with respect to amounts elected to be paid in New Senior Notes under Section 3.11 of the Consensual Plan (whether or not such Claims are satisfied by New Senior Notes or by Cash), interest on such principal amount and interest, accrued from the Filing Date to June 30, 1994 calculated at a rate of 14.0% per annum, and accrued from July 1, 1994 to the Effective Date at a rate of 14⅝% per annum, and (iv) additional interest consisting of such Holder's Pro Rata portion of that number of shares of New Common Stock which is the product of multiplying the New Common Stock Residual Amount by a fraction, the numerator of which is $37,500,000, and the denominator of which is the New Common Stock Residual Allocation Denominator;

(f) with respect to any Grace Street Note Claim, an amount equal to (i) as to a Claim for principal and interest, the sum of (x) the principal amount thereof due and owing as of the Filing Date, (y) interest on such principal amount accrued and unpaid as of the Filing Date, calculated at the non-default contract rate and (z) interest on such principal amount accrued and unpaid from the Filing Date to the Effective Date calculated at the non-default contract rate, plus (ii) as to a Claim for reasonable fees and expenses of payees under the Grace Street Notes, (x) the amount agreed to by Walter Industries and such payees and approved by a Final Order of the Court or (y) the amount fixed by a Final Order of the Court, minus in either case (iii) any amounts applied by Walter Industries to repay any such Claim subsequent to the Filing Date and prior to the Effective Date;

(g) with respect to any Secured Equipment Purchase Claim, an amount equal to (i) as to a Claim for principal and interest, the sum of (x) the principal amount thereof due and owing as of the Filing Date, (y) interest on such principal amount accrued and unpaid as of the Filing Date, calculated at the non-default contract rate and (z) interest on such principal amount accrued and unpaid from the Filing Date to the Effective Date calculated at the non-default contract rate, minus (ii) any amounts applied by the applicable Debtor to repay any such Claim subsequent to the Filing Date and prior to the Effective Date;

(h) with respect to any IRB Claim other than the Sloss IRB Claim, an amount equal to the sum of the principal payments thereunder due and owing as of the Effective Date together with interest payments thereunder accrued and unpaid as of the Effective Date, calculated at the non-default contract rate, which principal payments or interest payments became due either prior to or subsequent to the Filing Date and prior to the Effective Date in accordance with the applicable indenture (without giving effect to the acceleration, if any, of the obligations underlying the applicable IRBs);

(i) with respect to the Sloss IRB Claim, an amount equal to (i) as to a Claim for principal and interest, the sum of (x) the principal amount thereof due and owing as of the Filing Date, (y) interest on such principal amount accrued and unpaid as of the Filing Date, calculated at the non-default contract rate and (z) interest on such principal amount accrued and unpaid from the Filing Date to the Effective

Date calculated at the non-default contract rate, minus (ii) any amounts applied by Sloss to repay any such Claim subsequent to the Filing Date and prior to the Effective Date;

(j) with respect to any Provident Life & Accident Insurance Company Claim, an amount necessary to cure all defaults and pay all damages in respect of the agreement underlying such Provident Life & Accident Insurance Company Claim (without giving effect to the acceleration, if any, of the obligations underlying such agreement) such that any remaining amount of such Provident Life & Accident Insurance Company Claim may be reinstated in accordance with Section 1124(2) of the Code;

(k) with respect to any Subordinated Note Claim, an amount equal to the unpaid principal amount of such Subordinated Note due and owing as of the Filing Date (less, in the case of any 10⅞% Subordinated Debenture Claims, the unamortized discount associated with such 10⅞% Subordinated Debenture as of the Filing Date) together with interest thereon accrued and unpaid as of the Filing Date, calculated at the contract rate then in effect;

(l) with respect to any Deficiency Claim, the amount thereof as agreed to by Walter Industries and the Holder of such Claim and approved by a Final Order of the Court or the amount thereof as fixed by a Final Order of the Court;

(m) with respect to any Convenience Class Claim or Other Unsecured Claim, the sum of

(i) (A) if the Holder of such Claim did not File a proof of claim with respect thereto on or before the Bar Date the amount of such Claim as listed in the Debtors' Schedules as not disputed, contingent or unliquidated; or (B) if the Holder of such Claim Filed a proof of claim with respect thereto on or before the Bar Date, the amount of such Claim as agreed to by Walter Industries and the Holder of such Claim and approved by a Final Order of the Court, or, in the absence of such an agreement, (x) the amount stated in such proof of claim if no objection to such proof of claim was interposed within the applicable period of time fixed by the Code, the Bankruptcy Rules or the Court, or (y) the amount thereof as fixed by a Final Order of the Court if an objection to such proof of claim was interposed within the applicable period of time fixed by the Code, the Bankruptcy Rules or the Court ("Pre-Filing Date Unsecured Allowed Amount"), plus

(ii) interest on the Pre-Filing Date Unsecured Allowed Amount from the Filing Date to the Effective Date, calculated at the General Unsecured Interest Rate as from time to time in effect;

(n) with respect to any Other Secured Claim, (i) if a Holder of such Claim did not File a proof of claim with respect thereto with the Court on or before the Bar Date, the amount of such Claim as listed in the Debtors' Schedules as not disputed, contingent or unliquidated; or (ii) if the Holder of such Claim did File a proof of claim with respect thereto with the Court on or before the Bar Date, the amount of such Claim as agreed to by Walter Industries and the Holder of such Claim and approved by a Final Order, or, in the absence of such agreement, (A) the amount stated in such proof of claim if no objection to such proof of claim was interposed within the applicable period of time fixed by the Code, the Bankruptcy Rules or the Court or (B) the amount thereof as fixed by a Final Order, if an objection to such proof of claim was interposed within the applicable period of time fixed by the Code, the Bankruptcy Rules or the Court;

(o) with respect to all of the Settlement Claims in the aggregate, the sum of (A) the Veil Piercing Claims Amount, and (B) such additional amount (but not to exceed $15 million) provided for in Section 2(a)(i) of the Second Amended and Restated Veil Piercing Settlement Agreement, in each case in the form of consideration set forth in Section 3.22 hereof; and

(p) with respect to any Allowed Claim not otherwise specified in (a) through (o) above, the amount of such Claim as agreed to by Walter Industries and the Holder of such Claim and approved by a Final Order, or, in the absence of such an agreement, the amount thereof as fixed by a Final Order of the Court.

1.21 *"Allowed Claim"* shall mean any Claim for which an Allowed Amount has been determined.

1.22 *"Allowed Old Common Stock Interest"* shall mean any interest in the Old Common Stock, exclusive of any shares of such stock held in treasury, which is registered as of the Effective Date in such stock register as may be maintained by or on behalf of Walter Industries.

1.23 *"Apache Note Proceeds"* shall mean Cash collections received by Jim Walter Resources subsequent to the Filing Date from Jasper Corp. in the amount of $10,704,000 from payments on the non-recourse promissory note dated May 26, 1988 payable to Jim Walter Resources in the original principal amount of $25,000,000, together with $350,126 of interest earned thereon prior to application thereof to amounts owed to the Revolving Credit Banks and the Working Capital Banks, or a total of $11,054,126.

1.24 *"Apollo"* shall mean AIF II, L.P., certain Affiliates of AIF II, L.P. and certain accounts managed or controlled by such Affiliates.

1.25 *"Apollo Parties"* shall mean Leon Black, Marc J. Rowan, AIF II, L.P., Lion Advisors, L.P., Apollo Advisors, L.P., Apollo Capital Management, Inc., Lion Capital Management, Inc., Altus Finance, and their respective Affiliates, and any person that is or has ever been a director, officer, partner, stockholder, employee, agent, or representative of any of them, and any accounts managed or controlled by any of them or any of their Affiliates.

1.26 *"Applicable Consideration"* shall mean consideration, limited exclusively to Qualified Securities and New Common Stock, available for distribution on account of Subordinated Note Claims, which shall be allocated to Holders of Class U-4 Allowed Claims, Class U-5 Allowed Claims and Class U-6 Allowed Claims, as follows:

(a) To the extent elected by Holders of Class U-4 Claims pursuant to the Subordinated Note Claim Election, the first $240,000,000 principal amount of such Qualified Securities (to the extent available) shall be used to satisfy the Allowed Claims of Class U-4;

(b) To the extent elected by Holders of Class U-4 Claims (other than as to Class U-4 Claims satisfied with Qualified Securities pursuant to paragraph (a) of this Section), Class U-5 Claims and Class U-6 Claims pursuant to the Subordinated Note Claim Election, the remaining principal amount of such Qualified Securities (to the extent available), plus the principal amount, if any, of Qualified Securities provided for in clause (a) above but not elected by Holders of Class U-4 Claims, shall be used to satisfy the Allowed Claims of Class U-4, U-5 and U-6, as follows:

(i) The next $80,000,000 (plus, whether positive or negative, 80/700 of the difference between the amount of Qualified Securities actually available for distribution under this paragraph (b), and the amount of Qualified Securities that would be available under this paragraph (b) if there were $700,000,000 principal amount of Qualified Securities available, in the aggregate, for distribution to Classes U-4 through U-7) principal amount of such Qualified Securities (to the extent available) shall be used to satisfy the Allowed Claims of Class U-6;

(ii) the remaining principal amount of such Qualified Securities (to the extent available) shall be used to satisfy the remaining Class U-4 and Class U-5 Allowed Claims, pro rata (after deducting from Class U-4 the amount of Claims satisfied by paragraph (a) of this Section) among Classes U-4 and U-5; and

(iii) the remaining principal amount of such Qualified Securities (to the extent available) shall be used to satisfy the remaining Class U-6 Claims;

(c) any of such Qualified Securities remaining after giving effect to (a) and (b) above shall be applied to satisfy the Allowed Claims of Classes U-4, U-5 and U-6 to the extent not already satisfied by Qualified Securities after giving effect to (a) and (b) above, pro rata, based on the amount of Allowed Claims not satisfied by Qualified Securities pursuant to (a) and (b) above, among all such remaining Subordinated Note Claims;

provided, however, that notwithstanding the foregoing, in the event that the Pre-LBO Condition occurs, then the Qualified Securities that would otherwise have been distributed to Holders of Class U-6 Claims

under paragraph (b)(i) of this Section shall instead be distributed to Holders of Class U-4 Claims until all unsatisfied elections of Holders of Class U-4 Claims to receive Qualified Securities pursuant to the Subordinated Note Claim Election are satisfied, and then to Holders of Class U-5 Claims until all unsatisfied elections of Holders of Class U-5 Claims to receive Qualified Securities pursuant to the Subordinated Note Claim Election are satisfied.

(d) The total number of shares of New Common Stock available for distribution on account of Subordinated Note Claims shall be the Subordinated Note Claims New Common Stock Amount. Each Holder of a Subordinated Note Claim shall receive that number of shares of New Common Stock which is the product of multiplying the Subordinated Note Claims New Common Stock Amount by a fraction, the numerator of which is such Holder's Subordinated Note Claim Deficiency Amount, and the denominator of which is the Subordinated Note Claims Residual Amount.

(e) After giving effect to the allocations set forth above in this Section 1.26, if any Holder of a Class U-4 Claim that had affirmatively elected to receive all or part of its Class U-4 Claim in the form of Qualified Securities pursuant to the Subordinated Note Claim Election (other than Lehman Brothers Inc.) (the names of such Holders and the amount of the part of such Holder's Class U-4 Claim elected to be received in Qualified Securities pursuant to the Subordinated Note Claim Election are as set forth in *Exhibit 8* attached hereto (each such Claim in such amount, an "Eligible Class U-4 Claim")) exercises its Class U-4 Exchange Election (an "Electing Class U-4 Holder"), then the foregoing method of allocating Qualified Securities and New Common Stock to Electing Class U-4 Holders in respect of their Class U-4 Claims, and to Lehman Brothers Inc. in respect of its Class U-4 Claim, shall be modified as follows: (i) the aggregate principal amount of Qualified Securities to be issued to such Electing Class U-4 Holder shall be increased (*provided,* that such additional amount of Qualified Securities shall be solely in the form of New Senior Notes, unless no New Senior Notes are issued as Qualified Securities under the Consensual Plan, in which case such additional amount of Qualified Securities shall be in the form of Cash), and the New Common Stock to be issued to such Electing Class U-4 Holder shall be decreased by a number of shares having an aggregate New Common Stock Value Per Share, in each case in an amount equal to the lesser of (a) the Qualified Securities Deficiency of such Electing Class U-4 Holder and (b) the product (rounded down to the nearest thousand) of (I) $39.4 million (assuming Qualified Securities available for distribution under the Consensual Plan to Classes U-4 through U-7 of $530 million), $0 (assuming Qualified Securities available for distribution under the Consensual Plan to Classes U-4 through U-7 of $700 million or more), or if Qualified Securities available for distribution under the Consensual Plan to Classes U-4 through U-7 are greater than $530 million but less than $700 million, then the proportionate midpoint of $39.4 million and $0; and (II) a fraction, the numerator of which is the amount of such Holder's Class U-4 Claim that such Holder requested to be satisfied by Qualified Securities pursuant to the Subordinated Note Claim Election, and the denominator of which is the aggregate amount of all Class U-4 Claims (excluding Class U-4 Claims held by Lehman Brothers Inc.) that were requested to be satisfied by Qualified Securities pursuant to the Subordinated Note Claim Election; and (ii) the aggregate Qualified Securities to be issued to Lehman Brothers Inc. shall be decreased (*provided,* that such decrease in the amount of Qualified Securities shall be solely in the form of New Senior Notes, unless no New Senior Notes are issued as Qualified Securities under the Consensual Plan, in which case such decrease in the amount of Qualified Securities shall be in the form of Cash), and the New Common Stock to be issued to Lehman Brothers Inc. shall be increased by a number of shares having an aggregate New Common Stock Value Per Share, in each case in the amount required to make the additional distribution of Qualified Securities to Electing Class U-4 Holders required under the preceding clause (i).

(f) In the event that the Effective Date occurs after March 31, 1995, each Holder of a Subordinated Note Claim who receives Qualified Securities in accordance with subparagraphs (a) - (e) above shall also receive an additional distribution consisting of New Senior Notes of the same series and with all of the same terms and provisions as the New Senior Notes issued as Qualified Securities, in a principal amount equal to the product of multiplying the principal amount of Qualified Securities to be received by such Holder after applying all of the provisions, calculations and elections of subparagraphs (a) - (e)

above by the Qualified Securities Adjuster; *provided, however* that if no New Senior Notes are issued as Qualified Securities as a result of the issuance of Replacement Indebtedness under Section 4.19 of the Consensual Plan, such additional distribution shall be made solely in Cash.

1.27 *"Assets"* shall mean, collectively, all of the property of a Debtor's estate under Section 541 of the Code, including the assets, property, interests (including equity interests) and effects, real and personal, tangible and intangible, wherever situated of the applicable Debtor as of the Confirmation Date, including, but not limited to, all rights, claims and causes of action arising under the Code or other applicable law, if any, including, but not limited to, claims and causes of action under Sections 510, 544, 545, 547, 548, 549, 550 and 553 of the Code; which rights, claims and causes of action may be pursued by the reorganized Debtors, as appropriate, in accordance with what is in the best interests, and for the benefit, of the reorganized Debtors.

1.28 *"Associate"* has the meaning set forth in Rule 12b-2 under the Securities Exchange Act of 1934, as amended.

1.29 *"Ballot Date"* shall mean September 23, 1994.

1.30 *"Bank Agents"* shall mean, collectively, the Working Capital Agents and the Revolving Credit Agents.

1.31 *"Bank Setoff Proceeds"* shall mean the Cash balances as at the Filing Date in the aggregate amount of $1,481,772 in accounts maintained by certain of the Debtors with the Revolving Credit Banks and the Working Capital Banks, as the case may be, against which Cash balances the Revolving Credit Banks and the Working Capital Banks, as the case may be, were authorized to exercise their respective rights of setoff pursuant to an order of the Court.

1.32 *"Bankruptcy Rules"* shall mean the Federal Rules of Bankruptcy Procedure, as amended from time to time, and the local rules of the Court, as applicable to the Chapter 11 Cases.

1.33 *"Bar Date"* shall mean the last day to file a proof of claim with the Court as fixed with respect to such claim by a Final Order of the Court issued pursuant to Bankruptcy Rule 3003(c)(3).

1.34 *"Beijer Proceeds"* shall mean the net Cash proceeds received by Old Walter Industries from the sale, pursuant to a tender offer, of all shares of stock of Beijer Industries AB owned by Old Walter Industries in the amount of $5,605,000, together with $268,995 of interest earned thereon prior to application thereof to amounts owed to the Revolving Credit Banks and the Working Capital Banks, or a total of $5,873,995.

1.35 *"Best"* shall mean Best Insurors, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9740-8P1.

1.36 *"Best (Miss.)"* shall mean Best Insurors of Mississippi, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9737-8P1.

1.37 *"Bondholder Proponents"* shall mean and be the collective reference to Lehman Brothers Inc. and Apollo, solely in their individual capacity.

1.38 *"Bondholder Proponents Expense Differential"* shall mean $5 million. The Bondholder Proponents will not file any claim for reimbursement of expenses with the Court (other than with respect to expenses incurred in their capacity as members of the Bondholders Committee, which shall not include any professional fees, and other than in connection with their participation in any Exit Financing).

1.39 *"Bondholders Committee"* shall mean the Official Bondholders Committee of the Debtors appointed by the United States Trustee in the Chapter 11 Cases pursuant to Section 1102 of the Code, as such committee may be constituted from time to time.

1.40 *"Business Day"* shall mean a day other than a Saturday, Sunday or other day on which commercial banks in the State of Florida are authorized or required by law to close.

1.41 *"Cash"* shall mean lawful currency of the United States of America, or any equivalent thereof.

1.42 *"Celotex"* shall mean The Celotex Corporation, and/or any predecessor thereof or successor thereto and all of their respective present and former parents, Affiliates and subsidiaries.

1.43 *"Celotex Bankruptcy Court"* shall mean (a) the United States Bankruptcy Court for the Middle District of Florida, Tampa Division with jurisdiction over the reorganization case of The Celotex Corporation (or such other court as may be administering such cases), (b) to the extent of any withdrawal of reference made pursuant to 28 U.S.C. §157, the United States District Court for the Middle District of Florida, and (c) with respect to any particular proceeding within any such case, any other court which may be exercising jurisdiction over such proceeding.

1.44 *"Celotex Settlement Fund Recipient"* shall mean The Celotex Corporation for the exclusive benefit of the Veil Piercing Claimants, or such other Person(s) designated by a Final Order entered by the Celotex Bankruptcy Court to act in the place and stead and on behalf of The Celotex Corporation, including without limitation, any entity established pursuant to a confirmed plan of reorganization for The Celotex Corporation to hold, manage, liquidate, distribute or otherwise assume responsibility for the consideration to be distributed in respect of Settlement Claims under the Second Amended and Restated Veil Piercing Settlement Agreement and/or the Consensual Plan and any liabilities arising therefrom or in connection therewith.

1.45 *"Chapter 11 Cases"* shall mean each of the reorganization cases of the Debtors listed in the caption on the cover page of the Consensual Plan, all of which are being jointly administered under Case No. 89-9715-8P1.

1.46 *"Charter"* shall mean the Restated Certificate of Incorporation of Walter Industries, which shall be substantially in the form of *Exhibit 1* attached hereto.

1.47 *"Chemical Bank Prime Rate"* shall mean the rate of interest publicly announced by Chemical Bank in New York, New York from time to time as its reference rate. The reference rate is not intended to be the lowest rate of interest charged by Chemical Bank in connection with extensions of credit.

1.48 *"Claim"* shall mean a claim against one or more of the Debtors within the meaning of Section 101(5) of the Code excluding current commercial payables incurred in the ordinary course of business after the Filing Date.

1.49 *"Class"* shall mean any group of Claims or Interests, as classified pursuant to Article II of the Consensual Plan.

1.50 *"Class S-6 Fund"* shall have the meaning set forth in Section 3.11 of the Consensual Plan.

1.51 *"Class U-4 Exchange Election"* shall mean the election, by a Holder of an Eligible Class U-4 Claim (other than Lehman Brothers Inc.), made on the Class U-4 Exchange Election Form in accordance with the instructions thereon to affirmatively elect to receive its Qualified Securities Deficiency in the form of additional Qualified Securities in lieu of New Common Stock having an aggregate New Common Stock Value Per Share equal to the principal amount of such additional Qualified Securities in accordance with the definition of "Applicable Consideration" contained in Section 1.26(e) of the Consensual Plan.

1.52 *"Class U-4 Exchange Election Form"* shall mean the election form, sent to each Holder of an Eligible Class U-4 Claim (other than Lehman Brothers Inc.), concurrently with the supplement to the Disclosure Statement dated as of November 22, 1994, upon which such Holder of an Eligible Class U-4 Claim may exercise its Class U-4 Exchange Election.

1.53 *"Coast to Coast"* shall mean Coast to Coast Advertising, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9727-8P1.

1.54 *"Code"* shall mean title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, as in effect on the Filing Date, together with all amendments, modifications and replacements as the same exist on any relevant date to the extent applicable to the Chapter 11 Cases.

1.55 *"Computer Holdings"* shall mean Computer Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9724-8P1.

1.56 *"Computer Services"* shall mean Jim Walter Computer Services, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9723-8P1.

1.57 *"Confirmation"* shall mean the entry by the Court of the Confirmation Order.

1.58 *"Confirmation Date"* shall mean the date on which the Court enters the Confirmation Order.

1.59 *"Confirmation Order"* shall mean the order of the Court confirming the Consensual Plan and approving the transactions and settlements contemplated therein.

1.60 *"Consensual Plan"* shall mean the Amended Joint Plan of Reorganization dated as of December 9, 1994, as it may be further amended or modified from time to time, together with all exhibits thereto, which are incorporated herein and made a part hereof in their entirety, including without limitation the Second Amended and Restated Veil Piercing Settlement Agreement.

1.61 *"Convenience Class Claims"* shall mean (a) any Unsecured Claim (other than an Old Walter Industries IRB Claim) having a Pre-Filing Date Unsecured Amount equal to or less than $1,000 and (b) any Other Unsecured Claim as to which the Holder thereof agrees to reduce the Pre-Filing Date Unsecured Allowed Amount to $1,000.

1.62 *"Court"* shall mean (a) the United States Bankruptcy Court for the Middle District of Florida, Tampa Division with jurisdiction over the Chapter 11 Cases (or such court as may be administering the Chapter 11 Cases), (b) to the extent of any withdrawal of reference made pursuant to 28 U.S.C. § 157, the United States District Court for the Middle District of Florida, and (c) with respect to any particular proceeding arising in or related to a Chapter 11 Case, any other court which may be exercising jurisdiction over such proceeding.

1.63 *"Creditor"* shall mean a creditor of one or more of the Debtors within the meaning of Section 101(10) of the Code.

1.64 *"Creditors Committee"* shall mean the Official Committee of General Unsecured Creditors of the Debtors appointed by the United States Trustee in the Chapter 11 Cases pursuant to Section 1102 of the Code, as such committee may be constituted from time to time.

1.65 *"Creditors' Plan"* shall mean the Creditors' Joint Plan of Reorganization dated as of August 1, 1994 and filed with the Court on August 2, 1994. This Consensual Plan constitutes a modification of the Creditors' Plan. To the extent that any votes were cast or elections made with respect to the Creditors' Plan, such votes or elections shall be deemed binding with respect to this Consensual Plan, except to the extent that a previous acceptance or rejection is changed in accordance with Section 1127(d) of the Code and Rule 3019 of the Bankruptcy Rules.

1.66 *"Debtor in Possession"* shall mean any of the Debtors, as debtor in possession in the applicable Chapter 11 Case.

1.67 *"Debtors"* shall mean Hillsborough, Best, Best (Miss.), Coast to Coast, Computer Holdings, Dixie, Hamer Holdings, Hamer Properties, Homes Holdings, Computer Services, Jim Walter Homes, JW Insurance, Jim Walter Resources, Window Components (Wisc.), JW Aluminum, JW Resources, Resources Holdings, JWI Holdings, JW Walter, Window Components, Land Holdings, Mid-State Homes, Mid-State Holdings, Railroad Holdings, Sloss, Southern Precision, United Land, U.S. Pipe, Pipe Realty, Vestal, Home Improvement, Old Walter Industries and Walter Land.

1.68 *"Deficiency Claim"* shall mean the unsecured portion of any Claim determined in accordance with Section 506(a) of the Code which is unsecured, in whole or in part, as of the Confirmation Date.

1.69 *"Definitive Financing Documentation"* shall have the meaning set forth in Section 4.19 of the Consensual Plan.

1.70 *"Demand"* shall mean a demand for or right to payment, present or future, that was not a Claim during the proceedings leading to the Confirmation of the Consensual Plan, arising out of the same or similar conduct or events that gave rise to the Settlement Claims.

1.71 *"Director and Officer Indemnification Agreement"* shall mean the indemnification agreement to be entered into as of the Effective Date by Walter Industries and its direct and indirect subsidiaries and the directors and certain officers thereof.

1.72 *"Disbursing Agent"* shall mean the disbursing agent, selected by Walter Industries and the Bondholder Proponents, whose duties shall include the disbursement of Qualified Securities and New Common Stock to Holders of Subordinated Note Claims pursuant to the Consensual Plan.

1.73 *"Disclosure Statement"* shall mean the disclosure statement (and all exhibits and schedules annexed thereto or referenced therein) that relate to the Creditors' Plan (which, as modified, has become the Consensual Plan) and that was approved pursuant to Section 1125 of the Code and an Order entered by the Court on August 2, 1994, as such disclosure statement may be amended, modified or supplemented.

1.74 *"Disputed Claim"* shall mean any Claim or any portion thereof which is not an Allowed Claim. In the event that any part of a Claim is disputed, such Claim in its entirety shall be deemed a Disputed Claim for purposes of distribution under the Consensual Plan unless Walter Industries and the Holder thereof otherwise agree or the Court otherwise orders.

1.75 *"Dixie"* shall mean Dixie Building Supplies, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9741-8P1.

1.76 *"Effective Date"* shall mean the first Business Day after all conditions set forth in Section 10.2 of the Consensual Plan have been satisfied or waived, but which shall be not less than eleven days after the Confirmation Order is entered.

1.77 *"Electing Class U-4 Holder"* shall have the meaning set forth in Section 1.26(e) of the Consensual Plan.

1.78 *"Election Procedure"* shall mean, for each of the Series B & C Senior Note Claim Election and the Subordinated Note Claim Election, the following procedure: (i) applicable election forms shall have been mailed together with, and at the same time as, the mailing of ballots for the purpose of accepting or rejecting the Creditors' Plan (which, as modified, has become the Consensual Plan); and (ii) the applicable election form shall have been returned so as to be received on or before the Ballot Date.

1.79 *"Eligible Class U-4 Claim"* shall have the meaning assigned to that term in Section 1.26(e) of the Consensual Plan.

1.80 *"Executory Contract"* shall mean any unexpired contract or lease entered into prior to the Filing Date, including, but not limited to, any employment or severance contract or agreement, as contemplated by Section 365 of the Code, in effect on the Confirmation Date, between any of the Debtors and any other Person or Persons.

1.81 *"Executory Contract Claim"* shall mean any Claim arising under Section 365(b)(1)(A) and (B) of the Code with respect to an Executory Contract heretofore or hereafter assumed by the Debtors pursuant to Section 365(a) or Section 1123(b)(2) of the Code. An Executory Contract Claim shall not mean or include any Claim arising as a result of any Debtor's rejection of an Executory Contract pursuant to Section 365(a) or Section 1123(b)(2) of the Code.

1.82 *"Existing Equityholder"* shall have the meaning set forth in the Second Amended and Restated Veil Piercing Settlement Agreement.

1.83 *"Exit Financing"* shall mean (i) any third party financing to be obtained as of the Effective Date in connection with funding distributions to be made under the Consensual Plan, which shall be directly or indirectly secured by the unencumbered notes and mortgages held by Mid-State Homes and/or the residual interest held by Mid-State Homes in Mid-State Trust II and Mid-State Trust III, and (ii) any New Senior Notes.

1.84 *"Federal Excise Tax and Reclamation Claims"* shall mean, collectively, Claims of the Federal Government for the Black Lung Excise Tax under the Black Lung Benefits Act of 1977 and of the United

States Department of the Interior, Office of Surface Mining, for reclamation fees under Title IV of the Surface Mining Control and Reclamation Act of 1977, that are entitled to priority in payment under Section 507(a)(7) of the Code.

1.85 *"Federal Income Tax Claims"* shall mean all Claims of the Internal Revenue Service that are entitled to priority in payment under Section 507(a)(7) of the Code.

1.86 *"Federal Income Tax Claims Differential"* shall mean the amount, if any, by which (a) $27,000,000 exceeds (b) the aggregate Allowed Amount of Federal Income Tax Claims, determined after all Federal Income Tax Claims have been allowed or disallowed by Final Order; *provided, however,* that any amount by which the Allowed Amount of Federal Income Tax Claims is increased or decreased as a result of any direct or indirect understanding or agreement prohibited by Section 4.20 of the Consensual Plan shall not be included in the Federal Income Tax Claims Differential; *provided, further,* that no part of the Veil Piercing Settlement Tax Savings Amount shall be used to effect, or be counted toward, a reduction in the amount of Federal Income Tax Claims for purposes of this definition.

1.87 *"Fee Applications"* shall mean applications of Professional Persons under Section 330, 331, 503(b) or 1129(a)(4) of the Code for allowance of compensation and reimbursement of expenses in the Chapter 11 Cases.

1.88 *"Fee Claim"* shall mean a Claim under Section 330, 503(b) or 1129(a)(4) of the Code for allowance of final compensation and reimbursement of expenses in the Chapter 11 Cases.

1.89 *"Filed"* shall mean delivered to, received by and entered upon the legal docket of any of the Debtors by the Clerk of the Court.

1.90 *"Filing Date"* shall mean with respect to each of the Debtors, other than JW Resources, December 27, 1989, and with respect to JW Resources, December 3, 1990.

1.91 *"Final Order"* shall mean an order, judgment, ruling or decree issued and entered by the Court or by any state or other federal court or other tribunal located in one of the states, territories or possessions of the United States or the District of Columbia that has not been reversed, stayed, modified or amended and as to which the time to appeal or petition for reargument, rehearing or certiorari has expired, and as to which no appeal, reargument, petition for certiorari, or rehearing is pending or as to which any right to appeal, reargue, petition for certiorari or seek rehearing has been waived in writing or, if an appeal, reargument, petition for certiorari, or rehearing thereof has been denied, the time to take any further appeal or to seek certiorari or further reargument or rehearing has expired.

1.92 *"General Unsecured Interest Rate"* shall mean (i) 6½% per annum from the Filing Date until the Confirmation Date, and (ii) thereafter, either (x) a variable rate equal to the Chemical Bank Prime Rate as from time to time in effect, not to exceed 10% per annum, or (y) a fixed rate equal to 6½% per annum. The option specified in clause (ii) shall be selected in accordance with the Other Unsecured Claim Election.

1.93 *"Governmental Unit"* shall mean a governmental unit as such term is defined in Section 101(27) of the Code.

1.94 *"Grace Street Note Claims"* shall mean all Claims arising under the Grace Street Notes, including Claims thereunder for fees and expenses of the payees thereof.

1.95 *"Grace Street Notes"* shall mean, collectively, the two promissory notes, each dated March 19, 1971 and made by Paul G. Goodman in the original principal amount of $50,000, one in favor of D. Crawford Freeman and the other in favor of Fred Halling, as assumed by Old Walter Industries.

1.96 *"Hamer Holdings"* shall mean Hamer Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9735-8P1.

1.97 *"Hamer Properties"* shall mean Hamer Properties, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9739-8P1.

1.98 *"Hillsborough"* shall mean Hillsborough Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9715-8P1, prior to its merger with Old Walter Industries pursuant to the Mirror Liquidation Plan.

1.99 *"Holder"* shall mean the owner of any Claim or Interest, including the Celotex Settlement Fund Recipient on behalf of the Veil Piercing Claimants.

1.100 *"Home Improvement"* shall mean Walter Home Improvement, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9722-8P1.

1.101 *"Homes Holdings"* shall mean Homes Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9742-8P1.

1.102 *"IDB of Birmingham"* shall mean the Industrial Development Board of the City of Birmingham, Alabama.

1.103 *"Indenture Trustees"* shall mean, collectively, the 10⅞% Indenture Trustee, the 13⅛% Indenture Trustee, the 13¾% Indenture Trustee, the 17% Indenture Trustee, the Senior Subordinated Indenture Trustee, the Series B & C Senior Note Trustee, the Intercompany IRB Trustee, the Sloss IRB Trustee and the Old Walter Industries IRB Trustees.

1.104 *"Indenture Trustees Claims"* shall mean all Claims for reasonable fees and expenses of the Indenture Trustees under the relevant indenture(s) as to which they are the trustee.

1.105 *"Independent Director"* means a director of Walter Industries who is not (apart from such directorship) (i) an officer, Affiliate, employee, Interested Stockholder, consultant or partner of any Significant Stockholder or any Affiliate of any Significant Stockholder or of any entity that was dependent upon any Significant Stockholder or any Affiliate of any Significant Stockholder for more than 5% of its revenues or earnings in its most recent fiscal year, (ii) an officer, employee, consultant or partner of Walter Industries or any of its Affiliates, or an officer, employee, Interested Stockholder, consultant or partner of an entity that was dependent upon Walter Industries or any of its Affiliates for more than 5% of its revenues or earnings in its most recent fiscal year or (iii) any relative or spouse of any of the foregoing persons or a relative of a spouse of any of the foregoing persons.

1.106 *"Initial Revolving Credit Bank Claim Payment"* shall have the meaning set forth in Section 3.6(a) of the Consensual Plan.

1.107 *"Initial Working Capital Bank Claim Payment"* shall have the meaning set forth in Section 3.7(a) of the Consensual Plan.

1.108 *"Intercompany IRB"* shall mean the Series A Industrial Revenue Bonds issued under the Intercompany IRB Indenture in the original aggregate principal amount of $5,000,000.

1.109 *"Intercompany IRB Claims"* shall mean all Claims arising under the Intercompany IRB and the Intercompany IRB Indenture, other than Claims thereunder for fees and expenses of the Intercompany IRB Trustee.

1.110 *"Intercompany IRB Indenture"* shall mean the indenture dated as of May 1, 1983 among Sloss, the IDB of Birmingham and AmSouth Bank N.A., as trustee.

1.111 *"Intercompany IRB Trustee"* shall mean the trustee under the Intercompany IRB Indenture.

1.112 *"Interest"* shall mean the rights arising out of any equity securities of any of the Debtors, including Old Common Stock and Subsidiary Common Stock.

1.113 *"Interested Stockholder"* means, with respect to any Person, any other Person that together with its Affiliates and Associates beneficially owns (as defined in Rule 13d-3 under the Securities Exchange Act, as amended) 5.0% or more of the equity securities of such Person.

1.114 *"IRB Claims"* shall mean, collectively, the Sloss IRB Claim, the Old Walter Industries IRB Claims and the Intercompany IRB Claims.

1.115 *"IRBs"* shall mean, collectively, the Sloss IRB, the Old Walter Industries IRBs and the Intercompany IRB.

1.116 *"JW Aluminum"* shall mean JW Aluminum Company, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9718-8P1.

1.117 *"JW Insurance"* shall mean Jim Walter Insurance Services, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9731-8P1.

1.118 *"JW Resources"* shall mean JW Resources, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 90-11997-8P1.

1.119 *"JW Walter"* shall mean J.W. Walter, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9717-8P1.

1.120 *"JWI Holdings"* shall mean J.W.I. Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9721-8P1.

1.121 *"Jim Walter Homes"* shall mean Jim Walter Homes, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9746-8P1.

1.122 *"Jim Walter Resources"* shall mean Jim Walter Resources, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9738-8P1.

1.123 *"KKR"* shall mean Kohlberg Kravis Roberts & Co.

1.124 *"KKR Affiliates"* shall mean and be the collective reference to KKR, KKR Associates and any Person that is or has ever been a director, officer, partner, employee, agent or representative of either of them.

1.125 *"KKR Parties"* shall mean KKR, KKR Associates, JWC Associates, L.P., JWC Associates II, L.P., KKR Partners II, L.P., all other KKR Affiliates, and any Person that is or has ever been a director, officer, partner, employee, agent, or representative of any of them.

1.126 *"KKR Proponents"* shall mean and be the collective reference to KKR Partners II, L.P., JWC Associates, L.P. and JWC Associates II, L.P., and any other KKR Affiliate that holds or may in the future hold shares of Old Common Stock or Allowed Old Common Stock Interests.

1.127 *"Land Holdings"* shall mean Land Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under the Case No. 89-9720-8P1.

1.128 *"LBO-Related Issues"* shall mean and be the collective reference to all theories or bases of recovery recognizable at law, in admiralty or in equity under the laws of any jurisdiction that are held or asserted by or that may be held or asserted by any Debtor or any Holder of a Claim or Interest, in respect of such Claim or Interest, directly or indirectly based upon, arising out of or in connection with the leveraged acquisition in 1987 of Original Jim Walter by a group of investors led by KKR and all transactions consummated as a part thereof or in connection therewith, including without limitation the acquisition of the capital stock of the Debtors, the consummation of the transactions contemplated by the Agreement and Plan of Merger dated as of August 12, 1987, and the financing, reorganization, asset disposition and other transactions consummated as a part thereof or in connection therewith, whether based upon theories of piercing the corporate veil of any Debtor, or its predecessor and/or any of its respective present or former parents, subsidiaries or Affiliates, alter ego, alternate entity, agency, instrumentality, the transfer (fraudulent or otherwise) of any assets or property by any Debtor (or other non-Debtor that had at any time been an Affiliate of any Debtor), preference, fraud, conspiracy, substantive consolidation, successor liability, or any other legal or equitable theory whatsoever, or any theory or basis of recovery asserted in *Mellon Bank, N.A. and Bank of New York v. Kohlberg Kravis Roberts & Co., et al.*, Adv. Pro. No. 94-17.

1.129 *"Lehman Parties"* shall mean Lehman Brothers Inc., any subsidiaries or Affiliates thereof, any Person that is or has ever been a director, officer, partner, stockholder, employee, agent, or representative of any of them, and any accounts managed or controlled by any of them.

1.130 *"Lien"* shall mean, with respect to the Assets of the Debtors, a "lien" or "judicial lien" as said terms are defined in Sections 101(36) and 101(37) of the Code.

1.131 *"Management Incentive Compensation Plan"* shall mean the management incentive compensation plan to be established by Walter Industries pursuant to Section 5.3 of the Consensual Plan to be effective as of the Effective Date.

1.132 *"Mid-State Holdings"* shall mean Mid-State Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9726-8P1.

1.133 *"Mid-State Homes"* shall mean Mid-State Homes, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9725-8P1.

1.134 *"Mid-State Homes Warehouse Credit Facility"* shall mean a warehouse credit facility, or the equivalent thereof, in an aggregate amount not to exceed $500 million, to be entered into as of the Effective Date by Mid-State Homes and one or more financial institutions.

1.135 *"Mirror Liquidation Order"* shall have the meaning specified in the forepart of the Consensual Plan.

1.136 *"Mirror Liquidation Plan"* shall have the meaning specified in the forepart of the Consensual Plan.

1.137 *"Negotiated Enterprise Value"* shall mean $2,600,000,000, representing a good faith negotiated estimate of the going concern enterprise value of the Debtors on a consolidated basis, arrived at after extensive analysis and negotiations among the Proponents and Holders of Claims in other Classes.

1.138 *"New Board"* shall have the meaning set forth in Section 5.2 of the Consensual Plan.

1.139 *"New Common Stock"* shall mean the Common Stock, par value $.01 per share, of Walter Industries, to be issued on the Effective Date.

1.140 *"New Common Stock Registration Rights Agreement"* shall mean the registration rights agreement relating to the New Common Stock issued pursuant to the Consensual Plan, to be entered into as of the Effective Date by Walter Industries, for the benefit of all Persons to which New Common Stock is issued on the Effective Date, containing provisions not less favorable to the Holders of New Common Stock as those contained in the form of agreement attached as Exhibit 4 hereto.

1.141 *"New Common Stock Residual Allocation Denominator"* shall mean the sum of (a) $225 million; plus (b) the Subordinated Note Claims Residual Amount.

1.142 *"New Common Stock Residual Amount"* shall mean the number of shares of New Common Stock which remains after deducting the Veil Piercing New Common Stock Amount from 50 million.

1.143 *"New Common Stock Value"* shall mean the Negotiated Enterprise Value less the sum of (a) $902 million and (b) the aggregate principal amount of Qualified Securities to be distributed under the terms of the Consensual Plan on the Effective Date.

1.144 *"New Common Stock Value Per Share"* shall mean the New Common Stock Value divided by 50 million, representing the number of shares of New Common Stock to be issued and outstanding on the Effective Date before considering any additional distribution under Section 3.21 or Section 3.26(b)-(c).

1.145 *"New Senior Note Indenture"* shall mean the Indenture to be dated as of the Effective Date between Walter Industries and the trustee thereunder, governing the New Senior Notes.

1.146 *"New Senior Notes"* shall mean, with respect to any Debtor, secured senior debt securities issued under one indenture in two series or under two separate indentures (i) to satisfy a part of the Class S-6 Claims and (ii) as Qualified Securities to satisfy a part of the Subordinated Note Claims and the Settlement Claims. The New Senior Notes referred to in clause (i) above shall be (x) rated BB or higher by either Rating Service, as of the Effective Date; *provided*, that Walter Industries shall not be obligated to apply for any such rating (and, as set forth below, if such rating is not obtained then the Class S-6 Claims that would otherwise

be satisfied by such New Senior Notes will be paid in Cash); and (y) valued at par as of the Effective Date (on a fully distributed basis) by Lehman Brothers Inc. and a qualified valuation expert selected by the Series B & C Senior Note Trustee; *provided*, that if Lehman Brothers Inc. and the qualified valuation expert selected by the Series B & C Senior Note Trustee do not agree as to whether such securities are valued at par as of the Effective Date, the Bondholders Committee and the Senior Note Trustee shall select a third qualified valuation expert of national reputation, whose determination under the Consensual Plan will be binding. The New Senior Notes referred to in clause (ii) above shall bear interest at a fixed rate per annum equal to the rate of interest per annum of five year U.S. Treasury Notes on the Effective Date plus 450 basis points if rated BB or higher, or 525 basis points if rated lower than BB or if no application for a rating is made by Walter Industries, but such rate shall in no event be less than the rate selected for the New Senior Notes issued in respect of Series B & C Senior Note Claims; *provided, however*, that if neither Rating Service provides a rating of the security proposed to be rated after proper application is made therefor, such interest rate shall be the average of the two foregoing rates; *provided, further*, that in the event of a material adverse change in the financial or securities markets in the United States or in political, financial or economic conditions in the United States, or outbreak or material escalation of hostilities such that it is inadvisable to price the New Senior Notes issued as Qualified Securities in such manner, then Lehman Brothers Inc. and a qualified valuation expert selected by Apollo shall fix the rate of such New Senior Notes so that such New Senior Notes are valued by Lehman Brothers Inc. and such qualified valuation expert selected by Apollo at par as of the Effective Date, and if they cannot agree on such a rate, the Bondholders Committee shall select a third qualified valuation expert of national reputation, whose determination of such rate shall be binding. The aggregate principal amount of New Senior Notes to be issued on the Effective Date under clause (i) of the first sentence of this Section shall be equal to the Allowed Amount (less amounts to be paid in Cash from the Class S-6 Fund and to be satisfied by New Common Stock) on the Effective Date of the Class S-6 Claims as to which the Series B & C Senior Note Claim Election was timely made (estimated to be approximately $94.9 million in the aggregate as of December 31, 1994); *provided*, that in the event that neither Rating Service provides a rating of BB or higher for such New Senior Notes, whether because Walter Industries does not make application for such a rating or otherwise (or if Walter Industries so elects in its sole discretion), then the Class S-6 Claims that would otherwise have been satisfied by such New Senior Notes shall instead be satisfied by an amount of Cash equal to the principal amount of such New Senior Notes that would otherwise have been issued. The aggregate principal amount of New Senior Notes to be issued as Qualified Securities on the Effective Date shall be equal to the amount of Qualified Securities that do not consist of Cash; *provided*, that the aggregate principal amount of New Senior Notes to be issued as Qualified Securities, when added to the aggregate principal amount of New Senior Notes to be issued under the next preceding sentence of this Section, shall not exceed $490 million, unless a greater aggregate principal amount is agreed to by Lehman Brothers Inc.; *provided, further*, that the Debtors shall use their best efforts to minimize, to the extent consistent with obtaining a BB rating for the New Senior Notes issued as Qualified Securities, the aggregate principal amount of New Senior Notes required to be issued as Qualified Securities under the Consensual Plan. It is currently contemplated that the New Senior Notes will be issued under one indenture in two Series, with each series having the currently anticipated (although not required) terms summarized on Exhibit 2 attached hereto, which terms will be customary and reasonable for securities of this type and quality under the then-existing market conditions; *provided, however*, that the Maturity, Amortization, Optional Redemption and Rate terms set forth in Exhibit 2 shall not be altered or modified.

1.147 *"New Working Capital Facility"* shall mean the working capital facility, or equivalent thereof, in an aggregate amount not to exceed $150 million, to be entered into as of the Effective Date by certain subsidiaries of Walter Industries and one or more financial institutions.

1.148 *"Official Committees"* shall mean, collectively, the Bondholders Committee and the Creditors Committee.

1.149 *"Old Common Stock"* shall mean the common stock, $.01 par value per share, of Walter Industries, as the surviving corporation of the merger between Hillsborough and Old Walter Industries.

1.150 *"Old Walter Industries"* shall mean Walter Industries, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9745-8P1, prior to its merger with and into Hillsborough pursuant to the Mirror Liquidation Plan.

1.151 *"Old Walter Industries IRB Claims"* shall mean the Claims arising under the Old Walter Industries IRBs and the Old Walter Industries IRB Indentures, other than Claims thereunder for fees and expenses of the Old Walter Industries IRB Trustees.

1.152 *"Old Walter Industries IRB Indentures"* shall mean, collectively, (a) the two indentures dated as of March 1, 1977 between the Industrial Development Board of the City of Chattanooga, Tennessee and Sun Bank, as successor trustee to American National Bank and Trust Company of Chattanooga; (b) the indenture dated as of December 1, 1977 between Adams County, Colorado and Norwest Bank Denver f/k/a United Bank of Denver National Association, as trustee; (c) the indenture dated as of August 1, 1979 between Adams County, Colorado and Norwest Bank Denver, f/k/a United Bank of Denver National Association, as trustee; (d) the Indenture dated as of June 1, 1977 between the New Jersey Economic Development Authority and Fidelity Union Trust Company, as trustee; and (e) the indenture dated as of December 1, 1977 between the City of Texarkana, Arkansas and Commercial National Bank of Little Rock, as trustee, each as amended and all as assumed by Old Walter Industries.

1.153 *"Old Walter Industries IRB Trustees"* shall mean, collectively, the trustees under the Old Walter Industries IRB Indentures.

1.154 *"Old Walter Industries IRBs"* shall mean, collectively, (a) the 6.4% Industrial Revenue Bonds and the 6.5% Pollution Control Revenue Bonds issued by the Industrial Development Board of the City of Chattanooga, Tennessee, (b) the 6.4% and 6.95% Industrial Revenue Bonds issued by Adams County, Colorado, (c) the 6.4% Industrial Revenue Bonds issued by the New Jersey Economic Development Authority and (d) the 6.4% Industrial Development Bonds issued by the City of Texarkana, Arkansas.

1.155 *"Original Jim Walter"* shall mean Jim Walter Corporation, a Florida corporation, prior to its acquisition by Hillsborough.

1.156 *"Other Secured Claims"* shall mean, collectively, only Secured Claims not otherwise separately classified in the Consensual Plan, including but not limited to Secured Claims of Governmental Units with authority to tax the Debtors or their property.

1.157 *"Other Unsecured Claim Ballot"* shall mean the ballot sent to all Holders of Other Unsecured Claims for purposes of voting to accept or reject the Creditors' Plan (which, as modified, has become the Consensual Plan) and upon which a Holder of an Other Unsecured Claim shall have already exercised its Other Unsecured Claim Election.

1.158 *"Other Unsecured Claim Election"* shall mean the election by a Holder of an Other Unsecured Claim made on the Other Unsecured Claim Ballot in accordance with the instructions provided thereon, to select the rate of interest to accrue under the Creditors' Plan (which, as modified, has become the Consensual Plan) on the Pre-Filing Date Unsecured Allowed Amount of Other Unsecured Claims and Convenience Class Claims from and after the Confirmation Date, which was to have been either (i) a variable rate of interest equal to the Chemical Bank Prime Rate as from time to time in effect, not to exceed 10% per annum, or (ii) a fixed rate of interest equal to 6½% per annum. The interest rate option selected, which is the variable rate of interest described in clause (i) of the preceding sentence, was based upon the option selected by a majority in number of the Holders of Other Unsecured Claims (voting for this purpose as a single Class for all of the Debtors) who actually made the Other Unsecured Claim Election and is binding for purposes of the Consensual Plan.

1.159 *"Other Unsecured Claims"* shall mean, collectively, the Unsecured Claims of trade and service Creditors due and owing by the Debtors for goods provided and services rendered to the Debtors in the ordinary course of business prior to the Filing Date and all other Unsecured Claims not otherwise separately classified in the Consensual Plan, including Claims arising as a result of any rejection of an Executory Contract pursuant to Section 365(a) or 1123(b)(2) of the Code.

1.160 *"Person"* shall mean a natural person, corporation, partnership, joint-stock company, trust, association, unincorporated association, governmental agency, instrumentality or subdivision, or any other entity.

1.161 *"Pipe Realty"* shall mean U.S. Pipe Realty, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9734-8P1.

1.162 *"Post-Filing Date Intercompany Notes Payable Claims"* shall mean all Claims arising after the Filing Date held by any Debtor against any other Debtor.

1.163 *"Pre-Filing Date Intercompany Notes Payable Claims"* shall mean all Claims arising on or before the Filing Date held by any Debtor against any other Debtor, other than the Intercompany IRB Claims.

1.164 *"Pre-Filing Date Unsecured Allowed Amount"* shall have the meaning set forth in Section 1.20(m)(i) hereof.

1.165 *"Pre-LBO Bondholders Settlement Agreement"* shall mean and be the collective reference to the agreement, dated as of March 23, 1994, attached as *Exhibit 3B* hereto, as the same may be amended from time to time.

1.166 *"Pre-LBO Condition"* shall mean the occurrence of either of the following events: (i) the rejection of the Consensual Plan by Class U-6; or (ii) the failure to terminate the Pre-LBO Bondholders Settlement Agreement prior to or as of December 31, 1994 pursuant to Section 7C or 7D therein.

1.167 *"Pre-LBO Debenture Claims"* shall mean the 10⅞% Subordinated Debenture Claims, the 13⅛% Subordinated Note Claims and the 13¾% Subordinated Debenture Claims.

1.168 *"Pre-LBO Settlement Equity Amount"* shall mean the sum of (i) $5 million in respect of the Bondholder Proponents Expense Differential, and (ii) $6.3 million, representing the estimated amount of the Series B & C Senior Note Interest Differential; the total Pre-LBO Settlement Equity Amount is $11.3 million.

1.169 *"Priority Claims"* shall mean, collectively, Federal Income Tax Claims, Federal Excise Tax and Reclamation Claims and State and Local Tax Claims.

1.170 *"Pro Rata"* shall mean:

(a) with respect to any Series B & C Senior Note Claim, a fraction, the numerator of which is the Allowed Amount of such Series B & C Senior Note Claim and the denominator of which is the aggregate Allowed Amount of all Series B & C Senior Note Claims;

(b) with respect to any Revolving Credit Bank Claim, a fraction, the numerator of which is the pre-Filing Date principal and interest component of such Revolving Credit Bank Claim and the denominator of which is the aggregate amount of pre-Filing Date principal and interest due under the Revolving Credit Agreement, in each case without giving effect to the receipt and application of the Beijer Proceeds, the Apache Note Proceeds and the Bank Setoff Proceeds by the Revolving Credit Banks;

(c) with respect to any Working Capital Bank Claim, a fraction, the numerator of which is the pre-Filing Date principal and interest component of such Working Capital Bank Claim and the denominator of which is the aggregate amount of pre-Filing Date principal and interest due under the Working Capital Agreement, in each case without giving effect to (i) receipt and application of the Beijer Proceeds, the Apache Note Proceeds and the Bank Setoff Proceeds by the Working Capital Banks, (ii) the Claim of the Working Capital Agents for fees and expenses under the Working Capital Agreement arising prior to the Filing Date and (iii) that portion of the Working Capital Bank Claims resulting from the post-Filing Date draw-downs on letters of credit issued under the Working Capital Agreement prior to the Filing Date;

(d) with respect to any Subordinated Note Claim, a fraction, the numerator of which is the Allowed Amount of such Subordinated Note Claim and the denominator of which is the aggregate Allowed Amount of all Subordinated Note Claims; and

(e) with respect to any other Allowed Claim or Interest, the proportion that such Allowed Claim or Interest in a particular Class bears to the aggregate amount of Allowed Claims or Interests in such Class.

1.171 *"Professional Person"* shall mean any Person retained by the Debtors or any of the Official Committees pursuant to an order of the Court or any Person seeking compensation from the Debtors pursuant to Section 503(b) or 1129(a)(4) of the Code, for professional services.

1.172 *"Proponents"* shall have the meaning set forth in the first paragraph hereof.

1.173 *"Proponents Expenses"* shall mean all of the costs and expenses incurred by the Proponents, other than the Bondholder Proponents (and the Affiliates of either of them), the KKR Proponents and the KKR Affiliates, arising after the Filing Date, not previously reimbursed by any Debtor, in connection with (a) the formulation, drafting and negotiation of the Consensual Plan (including settlement agreements contemplated thereby or provided for therein), the Disclosure Statement and the Reorganization Documents, (b) the consideration by the Court of the Consensual Plan, the Disclosure Statement and the Reorganization Documents, (c) the effectuation of the Consensual Plan and the Disclosure Statement; and (d) any and all other actions taken in connection with the Consensual Plan, the Disclosure Statement and the Reorganization Documents, including without limitation litigation, contested matters, declaratory judgment actions, appellate litigation and the like; in each case including without limitation, attorneys' and other professionals' fees and expenses (references in this definition to the Consensual Plan and the Disclosure Statement shall include all prior and any future versions, amendments and/or supplements thereto).

1.174 *"Provident Life & Accident Insurance Company Claims"* shall mean Claims of Provident Life & Accident Insurance Company arising under loans secured by the Cash surrender value of various life insurance policies on certain present and prior key officers of the Debtors or corporations formerly owned by the Debtors.

1.175 *"Qualified Securities"* means with respect to any Debtor, (a) Cash, or (b) New Senior Notes described in clause (ii) of the definition thereof. The amount of Qualified Securities that shall consist of Cash shall be no less than the amount of Cash of the Debtors on hand as of the Effective Date (after giving effect to the consummation of the financing(s) described in clause (i) of the definition of Exit Financing contained in the Consensual Plan) other than Reserved Cash, after giving effect to Cash payments to be made (other than as part of Qualified Securities) on or promptly after the Effective Date under the Consensual Plan, and the remaining Qualified Securities shall consist of New Senior Notes; *provided*, that at the Debtors' option, all (but not less than all) Claims that would otherwise be satisfied by New Senior Notes issued as Qualified Securities may be paid in Cash on the Effective Date from the proceeds of the Replacement Indebtedness. Each Class receiving Qualified Securities under the Consensual Plan shall receive the same proportion of New Senior Notes and of Cash, as each other Class receiving Qualified Securities under the Consensual Plan, except as modified by the Class U-4 Exchange Election. Notwithstanding the foregoing, the term "Qualified Securities" shall not include any Cash or New Senior Notes distributed or to be distributed as additional consideration under Section 1.26(f) or 3.22(b) of the Consensual Plan, and any calculation under the Consensual Plan which includes a reference to a principal amount of Qualified Securities or a similar reference shall not include as part of such calculation any Cash or New Senior Notes distributed or to be distributed under Section 1.26(f) or 3.22(b) of the Consensual Plan.

1.176 *"Qualified Securities Adjuster"* shall mean the product of multiplying the rate of interest on the New Senior Notes to be issued as Qualified Securities (or, if no New Senior Notes are issued as Qualified Securities, a rate equal to the rate of interest per annum of five year U.S. Treasury Notes on the Effective Date plus 487.5 basis points) by a fraction, the numerator of which is the number of days after March 31, 1995 on which the Effective Date occurs, and the denominator of which is 360.

1.177 *"Qualified Securities Deficiency"* shall mean, with respect to each Electing Class U-4 Holder, the amount by which such Holder's Eligible Class U-4 Claim exceeds the principal amount of the Qualified Securities that such Holder would have received under Section 1.26(a)-(c) of the Consensual Plan absent the reallocation of Qualified Securities from Lehman Brothers Inc. to Electing Class U-4 Holders under Section 1.26(e) of the Consensual Plan.

1.178 *"Qualified Securities Registration Rights Agreement"* shall mean the registration rights agreement relating to the Qualified Securities distributed pursuant to the Consensual Plan, to be entered into as of the Effective Date by Walter Industries, for the benefit of all Persons to which Qualified Securities are distributed on the Effective Date, containing provisions not less favorable to the Holders of Qualified Securities as those contained in the form of agreement attached as *Exhibit 5* hereto.

1.179 *"Railroad Holdings"* shall mean Railroad Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9733-8P1.

1.180 *"Rating Service"* shall mean Standard and Poor's Corporation or Moody's Investor Service, Inc.

1.181 *"Record Date"* shall mean July 13, 1994.

1.182 *"Released Parties"* shall have the meaning set forth in Section 6.1 of the Consensual Plan.

1.183 *"Reorganization Documents"* shall mean, collectively, the New Senior Note Indenture, the Definitive Financing Documentation, the Qualified Securities Registration Rights Agreement, the New Common Stock Registration Rights Agreement, the instrument(s) evidencing the Qualified Securities, the Management Incentive Compensation Plan, the Director and Officer Indemnification Agreement and the Charter.

1.184 *"Replacement Indebtedness"* shall have the meaning assigned to such term in Section 4.19 of the Consensual Plan.

1.185 *"Reserved Cash"* shall mean (i) restricted Cash that the Debtors have paid, segregated or identified as a deposit, as security or otherwise reasonably reserved for a particular purpose, and (ii) at the Debtors' option, up to $45 million of Cash (excluding bank overdrafts) that may be reserved by the Debtors for general corporate purposes, in each case as of the Effective Date; *provided, however,* that Reserved Cash shall not include any Cash that is to be paid (or that is reserved for the payment of Disputed Claims) pursuant to the terms of the Consensual Plan.

1.186 *"Resources Holdings"* shall mean JW Resources Holdings Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9719-8P1.

1.187 *"Revolving Credit Agents"* shall mean the co-agents for the Revolving Credit Banks under the Revolving Credit Agreement.

1.188 *"Revolving Credit Agents Claims"* shall mean all Claims for fees and expenses of the Revolving Credit Agents under the Revolving Credit Agreement including without limitation the fees and expenses of attorneys, accountants and financial advisors retained by or on behalf of the Revolving Credit Agents in connection with the Chapter 11 Cases, and including amounts payable to White & Case (to the extent not included in Working Capital Agents Claims) for legal services rendered prior to the Filing Date, in the amount previously disclosed by the Working Capital Agents to the Bondholder Proponents.

1.189 *"Revolving Credit Agreement"* shall mean the Bank Credit Agreement dated as of September 10, 1987, as amended, among Hillsborough, Old Walter Industries, the Debtors which are signatory parties thereto and the Revolving Credit Banks, as amended from time to time.

1.190 *"Revolving Credit Bank Claims"* shall mean the Claims arising under the Revolving Credit Agreement, other than Revolving Credit Agents Claims.

1.191 *"Revolving Credit Bank Claim Stub Period Amount"* shall have the meaning set forth in Section 1.20(b) of the Consensual Plan.

1.192 *"Revolving Credit Banks"* shall mean, as of any date, the parties to the Revolving Credit Agreement, other than the Debtors, excluding such parties which were not parties to such agreement as of such date.

1.193 *"Revolving Loan"* shall mean the amount of loans outstanding under the Revolving Credit Agreement from time to time.

1.194 *"Schedules"* shall mean the schedules heretofore filed by the Debtors with the Court pursuant to Bankruptcy Rule 1007 as they have been and may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009.

1.195 *"Second Amended and Restated Veil Piercing Settlement Agreement"* shall mean an agreement in substantially the form attached as *Exhibit 3A* hereto (with such drafting, technical and conforming changes as the parties thereto shall negotiate and agree to in good faith), as the same may be amended from time to time.

1.196 *"Secured Claim"* shall mean the portion of any Claim, determined in accordance with Section 506(a) of the Code, as of the Confirmation Date, secured by a valid and perfected Lien, express or implied, arising by contract, operation of law, or otherwise, including but not limited to the secured portion of any Revolving Credit Bank Claim, Working Capital Bank Claim and Series B & C Senior Note Claim.

1.197 *"Secured Equipment Purchase Claims"* shall mean any Secured Claim held by a vendor of equipment sold to any Debtor with respect to the purchase of such equipment, which Secured Claim is secured by such equipment.

1.198 *"Securities Act"* shall mean the Securities Act of 1933, as amended.

1.199 *"Senior Subordinated Indenture Trustee"* shall mean the trustee under the Senior Subordinated Note Indenture.

1.200 *"Senior Subordinated Note Claims"* shall mean all Claims arising under the Senior Subordinated Notes and the Senior Subordinated Note Indenture, other than Claims for fees and expenses of the Senior Subordinated Indenture Trustee.

1.201 *"Senior Subordinated Note Indenture"* shall mean the indenture dated as of January 1, 1988 among Jim Walter Homes, U.S. Pipe and United Land, as issuers, and Hillsborough, Old Walter Industries and Homes Holdings, as guarantors, and Barnett Banks Trust Company, N.A., as trustee.

1.202 *"Senior Subordinated Notes"* shall mean the Senior Subordinated Extended Reset Notes of Jim Walter Homes, U.S. Pipe and United Land issued pursuant to the Senior Subordinated Note Indenture.

1.203 *"Series B & C Senior Note Claims"* shall mean all Claims arising under the Series B & C Senior Notes and the Series B & C Senior Note Indenture, other than Claims thereunder for fees and expenses of the Series B & C Senior Note Trustee.

1.204 *"Series B & C Senior Note Claim Election"* shall mean the election by a Holder of a Series B & C Senior Note Claim made on the Series B & C Senior Note Claim Election Form by a Holder of a Series B & C Senior Note Claim in accordance with the instructions thereon to elect to receive all of such Holder's Series B & C Senior Note Claim in the form of New Senior Notes, such election to have been made in accordance with the Election Procedure, which election shall be binding for purposes of the Consensual Plan.

1.205 *"Series B & C Senior Note Claim Election Form"* shall mean the election form, sent in accordance with the Election Procedure, to all Holders of Series B & C Senior Note Claims, upon which a Holder of a Series B & C Senior Note Claim shall have exercised its Series B & C Senior Note Claim Election, the form of which election form has been approved by the Court.

1.206 *"Series B & C Senior Note Indenture"* shall mean the Indenture dated as of January 1, 1988, as amended, among Jim Walter Resources, Jim Walter Homes, U.S. Pipe and United Land, as issuers, and Hillsborough, Old Walter Industries, Homes Holdings and Resources Holdings, as guarantors, and LaSalle National Bank, as successor trustee to Continental Illinois National Bank and Trust Company of Chicago.

1.207 *"Series B & C Senior Note Interest Differential"* shall mean the amount, if any, by which (a) the amount which the aggregate Allowed Amount of the Series B & C Senior Note Claims would be as of December 31, 1994 if all Holders of a Series B & C Senior Note Claim exercised the Series B & C Senior Note Claim Election, exceeds (b) the actual aggregate Allowed Amount of the Series B & C Senior Note Claims, calculated as of December 31, 1994. For purposes of the Consensual Plan, this amount shall be fixed at $6.3 million.

1.208 *"Series B & C Senior Note Trustee"* shall mean the trustee under the Series B & C Senior Note Indenture.

1.209 *"Series B & C Senior Notes"* shall mean, collectively, the Series B Senior Notes and the Series C Senior Notes which were issued pursuant to the Series B & C Senior Note Indenture.

1.210 *"Settlement Claims"* shall have the meaning set forth in the Second Amended and Restated Veil Piercing Settlement Agreement.

1.211 *"Significant Stockholder"* means any stockholder of Walter Industries that together with its Affiliates and Associates beneficially owns (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) 5.0% or more of the outstanding common equity interests of Walter Industries.

1.212 *"Sloss"* shall mean Sloss Industries Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9743-8P1.

1.213 *"Sloss IRB"* shall mean the Series 1983 Industrial Revenue Bonds issued under the Sloss IRB Indenture in the original aggregate principal amount of $1,000,000.

1.214 *"Sloss IRB Claim"* shall mean the Claim arising under the Sloss IRBs and the Sloss IRB Indenture, other than Claims thereunder for fees and expenses of the Sloss IRB Trustee.

1.215 *"Sloss IRB Indenture"* shall mean the Mortgage Indenture dated as of May 1, 1983 among Sloss, the IDB of Birmingham and NationsBank, as successor trustee to NCNB National Bank of Florida.

1.216 *"Sloss IRB Trustee"* shall mean the trustee under the Sloss IRB Indenture.

1.217 *"Southern Precision"* shall mean Southern Precision Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9729-8P1.

1.218 *"State and Local Tax Claims"* shall mean Unsecured Claims of Governmental Units, other than the Federal Government and the Internal Revenue Service, with authority to tax the Debtors or their property.

1.219 *"Stock Acquisition Rights"* shall mean any and all rights to acquire Old Common Stock or Subsidiary Common Stock or any other equity or similar ownership interest in any Debtor, whether in the form of an option, warrant, purchase right, subscription agreement or otherwise, but shall not include any right to receive New Common Stock under the Consensual Plan.

1.220 *"Subordinated Note Claim Deficiency Amount"* shall mean, with respect to each Holder of a Subordinated Note Claim, the amount which remains after subtracting the aggregate principal amount of the Qualified Securities to be distributed to such Holder on account of such Holder's Subordinated Note Claim, from the Allowed Amount of such Holder's Subordinated Note Claim.

1.221 *"Subordinated Note Claim Election"* shall mean the election by a Holder of a Subordinated Note Claim made on the Subordinated Note Claim Election Form by a Holder of a Subordinated Note Claim in accordance with the instructions thereon to affirmatively select that part of such Holder's Claim that such Holder desires to be satisfied by Qualified Securities pursuant to the Creditors' Plan (which, as modified, has become the Consensual Plan), which election shall be binding for purposes of the Consensual Plan. The Holders of Subordinated Note Claims identified in *Exhibit 8* attached hereto have elected to receive Qualified Securities in the amounts set forth therein in accordance with the requirements applicable to the Subordinated Note Claims Election.

1.222 *"Subordinated Note Claim Election Form"* shall mean the election form, sent in accordance with the Election Procedure, to all Holders of Subordinated Note Claims, upon which a Holder of a Subordinated Note Claim may have exercised its Subordinated Note Claim Election, the form of which election form has been approved by the Court.

1.223 *"Subordinated Note Claims New Common Stock Amount"* shall mean that number of shares of New Common Stock which is the product of multiplying the New Common Stock Residual Amount by a

fraction, the numerator of which is the Subordinated Note Claims Residual Amount, and the denominator of which is the New Common Stock Residual Allocation Denominator.

1.224 *"Subordinated Note Claims Residual Amount"* shall mean the amount which remains after subtracting the aggregate principal amount of the Qualified Securities to be distributed to the Holders of Subordinated Note Claims from the aggregate Allowed Amount of the Subordinated Note Claims.

1.225 *"Subordinated Note Claims"* shall mean, collectively, the Senior Subordinated Note Claims, the 17% Subordinated Note Claims, the 10⅞% Subordinated Debenture Claims, the 13⅛% Subordinated Note Claims and the 13¾% Subordinated Debenture Claims.

1.226 *"Subordinated Note Trustees"* shall mean, collectively, the Senior Subordinated Indenture Trustee, the 17% Indenture Trustee, the 10⅞% Indenture Trustee, the 13⅛% Indenture Trustee and the 13¾% Indenture Trustee.

1.227 *"Subordinated Notes"* shall mean, collectively, the Senior Subordinated Notes, the 17% Subordinated Notes, the 10⅞% Subordinated Debentures, the 13⅛% Subordinated Notes and the 13¾% Subordinated Debentures.

1.228 *"Subsidiary Common Stock"* shall mean the common stock of each of the Debtors, other than Walter Industries as the surviving corporation of the merger between Hillsborough and Old Walter Industries, issued and outstanding as of the Filing Date.

1.229 *"Tax Oversight Committee"* shall mean a committee of the New Board consisting at all times of the two Independent Directors and a director (or other person) designated by Lehman Brothers Inc. (such director or other person initially designated by Lehman Brothers Inc. shall be identified on or before the Effective Date), which committee shall have the right to select and retain legal and financial advisors at the expense of Walter Industries to assist it in the fulfillment of its duties, which duties shall consist solely of the duties set forth in Sections 3.26 and 4.20 of the Consensual Plan.

1.230 *"The Celotex Corporation"* shall mean The Celotex Corporation, as debtor and debtor-in-possession.

1.231 *"United Land"* shall mean United Land Corporation, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9730-8P1.

1.232 *"Unsecured Claim"* shall mean a Claim other than (a) a Secured Claim, (b) a Subordinated Note Claim, (c) a Post-Filing Date Intercompany Notes Payable Claim, Pre-Filing Date Intercompany Notes Payable Claim or Intercompany IRB Claim, (d) a Priority Claim, or (e) an Administrative Claim.

1.233 *"U.S. Pipe"* shall mean United States Pipe and Foundry Company, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9744-8P1.

1.234 *"Veil Piercing Claimant"* shall mean Celotex and any other Person that may have or may assert in the future a Settlement Claim.

1.235 *"Veil Piercing Claims"* shall mean and be the collective reference to all Claims and Demands, and all claims and Demands that may be asserted in the future, whether known or unknown, based upon, arising out of or in connection with any of the Veil Piercing-Related Issues but shall not include any claim based upon a valid, binding and enforceable obligation by any or all of the Debtors to indemnify any Person.

1.236 *"Veil Piercing Claims Amount"* shall have the meaning set forth in the Second Amended and Restated Veil Piercing Settlement Agreement.

1.237 *"Veil Piercing New Common Stock Amount"* shall mean that number of shares of New Common Stock having an aggregate Veil Piercing New Common Stock Value Per Share equal to the Veil Piercing Residual Claims Amount.

1.238 *"Veil Piercing New Common Stock Value"* shall mean $2,525,000,000, less the sum of (a) $902 million and (b) the aggregate principal amount of Qualified Securities to be distributed under the terms of the Consensual Plan on the Effective Date.

1.239 *"Veil Piercing New Common Stock Value Per Share"* shall mean the Veil Piercing New Common Stock Value divided by 50 million, representing the number of shares of New Common Stock to be issued and outstanding on the Effective Date before considering any additional distribution under Section 3.21 or Section 3.26(b)-(c).

1.240 *"Veil Piercing Proceedings"* shall mean and be the collective reference to all lawsuits, actions and other judicial and administrative proceedings that have been, or may in the future be, instituted against any Person that directly or indirectly seek or could seek any remedy from any or all of the Released Parties based upon, arising out of or in connection with any of the Veil Piercing-Related Issues and/or Settlement Claims.

1.241 *"Veil Piercing Residual Claims Amount"* shall mean the excess of $375,000,000 over the aggregate principal amount of the Qualified Securities to be distributed on account of the Settlement Claims under the Consensual Plan.

1.242 *"Veil Piercing-Related Issues"* shall mean and be the collective reference to all theories or bases of recovery recognizable at law, in equity or in admiralty under the laws of any jurisdiction that are held or asserted by, or may be held or asserted by, Celotex or any Holder of a Claim in Class U-7 or any creditor or interest holder of Celotex, directly or indirectly based upon, arising out of or in connection with asbestos, any product manufactured, sold or distributed by Celotex, any other liability or obligation of any nature of Celotex, or any act or failure to act by Celotex or any officer, director, employee, agent or other representative of Celotex, whether based upon alter ego, agency, alternate entity, instrumentality, successor liability, conspiracy, indemnification, contribution, any theories of piercing the corporate veil of any Debtor or its predecessor and/or any of its respective present or former parents, subsidiaries, or Affiliates, or the transfer (fraudulent or otherwise) of any assets or property to or by any Debtor (or other non-Debtor that had at any time been a parent, subsidiary or Affiliate of any Debtor or its predecessor), whether in connection with any of the transactions constituting or relating to the financing or the acquisition of any of the Debtors or any of their respective predecessors, parents, subsidiaries or Affiliates by the current Holders of Old Common Stock, the divestiture by Celotex of any of its assets or property at any time, or in connection with any other transactions, events or circumstances, or otherwise; *provided, however,* that the Veil Piercing-Related Issues shall not include any of the LBO-Related Issues raised by Holders of Claims other than Settlement Claims.

1.243 *"Veil Piercing Settlement"* shall mean the full and complete settlement, satisfaction, release and discharge of all Settlement Claims and Veil Piercing Proceedings; *provided, however,* that any order or orders approving the settlement must, either singularly or taken together, contain findings that (i) the terms of the settlement are final and binding on all Veil Piercing Claimants, (ii) provide for the dismissal, with prejudice, of all pending Veil Piercing Proceedings, and (iii) provide for the full release of all Released Parties with respect to the Veil Piercing-Related Issues.

1.244 *"Veil Piercing Settlement Tax Savings Amount"* shall mean, for any taxable year that ends after the Effective Date (or for any taxable year ending on or before the Effective Date for which a carryback claim is filed), the difference between (a) the aggregate amount of federal, state, and local income tax payable by members of the Walter Industries consolidated group as reported on the federal, state and local income tax returns filed by such members for the taxable year (the "WI Tax Return Liability") and (b) the aggregate amount of federal, state and local income tax that would have been reported on such returns if the distribution under the Second Amended and Restated Veil Piercing Settlement Agreement had not been made; *provided, however,* that any amount by which the income tax reduction or refund used to calculate the Veil Piercing Settlement Tax Savings Amount would otherwise have been increased or decreased as part of any direct or indirect understanding or agreement prohibited by Section 4.20 of the Consensual Plan shall not be taken into consideration in determining any Veil Piercing Settlement Tax Savings Amount.

1.245 *"Veil Piercing Settlement Tax Savings Event"* shall mean, (i) for any tax return filed by the Walter Industries consolidated group or any member thereof for a taxable year ending on or after May 31,

1995, the date on which the tax return is filed with the applicable taxing authority, or (ii) for any tax years ending prior to May 31, 1995, the date on which a claim for refund or deduction is filed; *provided* that the tax due on such return (without regard to prior payments) was reduced, or such refund claim was increased, by a Veil Piercing Settlement Tax Savings Amount. Walter Industries shall claim deductions, for federal income tax purposes and for purposes of all other relevant tax calculations, in respect of the distribution under the Second Amended and Restated Veil Piercing Settlement Agreement in a manner that will maximize the Veil Piercing Settlement Tax Savings Amount, including, without limitation, the claim of a carryback, where available, of any net operating losses resulting from such deductions.

1.246 *"Vestal"* shall mean Vestal Manufacturing Company, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9728-8P1.

1.247 *"Walter Industries"* shall mean Walter Industries, Inc., the surviving corporation of the merger between Hillsborough and Old Walter Industries.

1.248 *"Walter Land"* shall mean Walter Land Company, a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9736-8P1.

1.249 *"Window Components"* shall mean JW Window Components, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9732-8P1.

1.250 *"Window Components (Wisc.)"* shall mean Jim Walter Window Components, Inc., a Debtor in Possession in the jointly administered Chapter 11 Cases pending in the Court under Case No. 89-9716-8P1.

1.251 *"WI Tax Return Liability"* shall have the meaning set forth in Section 1.244 of the Consensual Plan.

1.252 *"Working Capital Agents"* shall mean the co-agents for the Working Capital Banks under the Working Capital Agreement.

1.253 *"Working Capital Agents Claims"* shall mean all Claims for fees and expenses of the Working Capital Agents under the Working Capital Agreement, including without limitation the fees and expenses of attorneys, accountants and financial advisors retained by or on behalf of the Working Capital Agents in connection with the Chapter 11 Cases, and including amounts payable to White & Case (to the extent not included in Revolving Credit Agents Claims) for legal services rendered prior to the Filing Date, in the amount previously disclosed by the Working Capital Agents to the Bondholder Proponents.

1.254 *"Working Capital Agreement"* shall mean the Working Capital Credit Agreement dated as of December 29, 1987, as amended, among Hillsborough, Old Walter Industries, the other Debtors which are signatories thereto and the Working Capital Banks, as amended from time to time.

1.255 *"Working Capital Bank Claim Stub Period Amount"* shall have the meaning set forth in Section 1.20(c).

1.256 *"Working Capital Bank Claims"* shall mean all Claims arising under the Working Capital Agreement, other than Working Capital Agents Claims.

1.257 *"Working Capital Banks"* shall mean, as of any date, the parties to the Working Capital Agreement, other than the Debtors, excluding such parties which were not parties to such agreement as of such date.

1.258 *"Working Capital Loans"* shall mean the amount of loans outstanding under the Working Capital Agreement from time to time.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

UNCLASSIFIED CLAIMS

In accordance with Section 1123(a)(1) of the Code, Administrative Claims, Federal Income Tax Claims, Federal Excise Tax and Reclamation Claims and State and Local Tax Claims are not classified.

ADMINISTRATIVE CLAIMS

2.1 *Administrative Claims.* Administrative Claims apply separately to each Debtor.

PRIORITY CLAIMS

Priority Claims include Federal Income Tax Claims, Federal Excise Tax and Reclamation Claims and State and Local Tax Claims.

2.2 *Federal Income Tax Claims.* Federal Income Tax Claims apply separately to each Debtor.

2.3 *Federal Excise Tax and Reclamation Claims.* Federal Excise Tax and Reclamation Claims apply only to Jim Walter Resources.

2.4 *State and Local Tax Claims.* State and Local Tax Claims apply separately to each Debtor, except Best, Coast to Coast, JW Insurance, Home Improvement and JW Resources.

CLASSIFIED CLAIMS

Claims against, and Interests in, the Debtors are classified in the Classes listed below.

SECURED CLAIMS

Secured Claims consist of Revolving Credit Bank Claims, Working Capital Bank Claims, the Grace Street Note Claims, the Sloss IRB Claim, Secured Equipment Purchase Claims, Series B & C Senior Note Claims, Provident Life & Accident Insurance Company Claims, Revolving Credit Agents Claims, Working Capital Agents Claims and Other Secured Claims.

2.5 *Class S-1 Claims: Revolving Credit Bank Claims.* Class S-1 Claims shall consist of all Revolving Credit Bank Claims.

Class S-1A Claims: Hillsborough Revolving Credit Bank Claims. Class S-1A Claims shall consist of all Revolving Credit Bank Claims against Hillsborough.

Class S-1B Claims: Best Revolving Credit Bank Claims. Class S-1B Claims shall consist of all Revolving Credit Bank Claims against Best.

Class S-1C Claims: Best (Miss.) Revolving Credit Bank Claims. Class S-1C Claims shall consist of all Revolving Credit Bank Claims against Best (Miss.).

Class S-1D Claims: Coast to Coast Revolving Credit Bank Claims. Class S-1D Claims shall consist of all Revolving Credit Bank Claims against Coast to Coast.

Class S-1E Claims: Computer Holdings Revolving Credit Bank Claims. Class S-1E Claims shall consist of all Revolving Credit Bank Claims against Computer Holdings.

Class S-1F Claims: Dixie Revolving Credit Bank Claims. Class S-1F Claims shall consist of all Revolving Credit Bank Claims against Dixie.

Class S-1G Claims: Hamer Holdings Revolving Credit Bank Claims. Class S-1G Claims shall consist of all Revolving Credit Bank Claims against Hamer Holdings.

Class S-1H Claims: Hamer Properties Revolving Credit Bank Claims. Class S-1H Claims shall consist of all Revolving Credit Bank Claims against Hamer Properties.

Class S-1I Claims: Homes Holdings Revolving Credit Bank Claims. Class S-1I Claims shall consist of all Revolving Credit Bank Claims against Homes Holdings.

Class S-1J Claims: Computer Services Revolving Credit Bank Claims. Class S-1J Claims shall consist of all Revolving Credit Bank Claims against Computer Services.

Class S-1K Claims: Jim Walter Homes Revolving Credit Bank Claims. Class S-1K Claims shall consist of all Revolving Credit Bank Claims against Jim Walter Homes.

Class S-1L Claims: JW Insurance Revolving Credit Bank Claims. Class S-1L Claims shall consist of all Revolving Credit Bank Claims against JW Insurance.

Class S-1M Claims: Jim Walter Resources Revolving Credit Bank Claims. Class S-1M Claims shall consist of all Revolving Credit Bank Claims against Jim Walter Resources.

Class S-1N Claims: Window Components (Wisc.) Revolving Credit Bank Claims. Class S-1N Claims shall consist of all Revolving Credit Bank Claims against Window Components (Wisc.).

Class S-1O Claims: JW Aluminum Revolving Credit Bank Claims. Class S-1O Claims shall consist of all Revolving Credit Bank Claims against JW Aluminum.

Class S-1P Claims: Resources Holdings Revolving Credit Bank Claims. Class S-1P Claims shall consist of all Revolving Credit Bank Claims against Resources Holdings.

Class S-1Q Claims: JWI Holdings Revolving Credit Bank Claims. Class S-1Q Claims shall consist of all Revolving Credit Bank Claims against JWI Holdings.

Class S-1R Claims: JW Walter Revolving Credit Bank Claims. Class S-1R Claims shall consist of all Revolving Credit Bank Claims against JW Walter.

Class S-1S Claims: Window Components Revolving Credit Bank Claims. Class S-1S Claims shall consist of all Revolving Credit Bank Claims against Window Components.

Class S-1T Claims: Land Holdings Revolving Credit Bank Claims. Class S-1T Claims shall consist of all Revolving Credit Bank Claims against Land Holdings.

Class S-1V Claims: Mid-State Holdings Revolving Credit Bank Claims. Class S-1V Claims shall consist of all Revolving Credit Bank Claims against Mid-State Holdings.

Class S-1W Claims: Railroad Holdings Revolving Credit Bank Claims. Class S-1W Claims shall consist of all Revolving Credit Bank Claims against Railroad Holdings.

Class S-1X Claims: Sloss Revolving Credit Bank Claims. Class S-1X Claims shall consist of all Revolving Credit Bank Claims against Sloss.

Class S-1Y Claims: Southern Precision Revolving Credit Bank Claims. Class S-1Y Claims shall consist of all Revolving Credit Bank Claims against Southern Precision.

Class S-1Z Claims: United Land Revolving Credit Bank Claims. Class S-1Z Claims shall consist of all Revolving Credit Bank Claims against United Land.

Class S-1AA Claims: U.S. Pipe Revolving Credit Bank Claims. Class S-1AA Claims shall consist of all Revolving Credit Bank Claims against U.S. Pipe.

Class S-1BB Claims: Pipe Realty Revolving Credit Bank Claims. Class S-1BB Claims shall consist of all Revolving Credit Bank Claims against Pipe Realty.

Class S-1CC Claims: Vestal Revolving Credit Bank Claims. Class S-1CC Claims shall consist of all Revolving Credit Bank Claims against Vestal.

Class S-1EE Claims: Old Walter Industries Revolving Credit Bank Claims. Class S-1EE Claims shall consist of all Revolving Credit Bank Claims against Old Walter Industries.

Class S-1FF Claims: Walter Land Revolving Credit Bank Claims. Class S-1FF Claims shall consist of all Revolving Credit Bank Claims against Walter Land.

Class S-1GG Claims: JW Resources Revolving Credit Bank Claims. Class S-1GG Claims shall consist of all Revolving Credit Bank Claims against JW Resources.

2.6 *Class S-2 Claims: Working Capital Bank Claims.* Class S-2 Claims shall consist of all Working Capital Bank Claims.

Class S-2A Claims: Hillsborough Working Capital Bank Claims. Class S-2A Claims shall consist of all Working Capital Bank Claims against Hillsborough.

Class S-2E Claims: Computer Holdings Working Capital Bank Claims. Class S-2E Claims shall consist of all Working Capital Bank Claims against Computer Holdings.

Class S-2G Claims: Hamer Holdings Working Capital Bank Claims. Class S-2G Claims shall consist of all Working Capital Bank Claims against Hamer Holdings.

Class S-2I Claims: Homes Holdings Working Capital Bank Claims. Class S-2I Claims shall consist of all Working Capital Bank Claims against Homes Holdings.

Class S-2M Claims: Jim Walter Resources Working Capital Bank Claims. Class S-2M Claims shall consist of all Working Capital Bank Claims against Jim Walter Resources.

Class S-2O Claims: JW Aluminum Working Capital Bank Claims. Class S-2O Claims shall consist of all Working Capital Bank Claims against JW Aluminum.

Class S-2P Claims: Resources Holdings Working Capital Bank Claims. Class S-2P Claims shall consist of all Working Capital Bank Claims against Resources Holdings.

Class S-2Q Claims: JWI Holdings Working Capital Bank Claims. Class S-2Q Claims shall consist of all Working Capital Bank Claims against JWI Holdings.

Class S-2S Claims: Window Components Working Capital Bank Claims. Class S-2S Claims shall consist of all Working Capital Bank Claims against Window Components.

Class S-2T Claims: Land Holdings Working Capital Bank Claims. Class S-2T Claims shall consist of all Working Capital Bank Claims against Land Holdings.

Class S-2V Claims: Mid-State Holdings Working Capital Bank Claims. Class S-2V Claims shall consist of all Working Capital Bank Claims against Mid-State Holdings.

Class S-2W Claims: Railroad Holdings Working Capital Bank Claims. Class S-2W Claims shall consist of all Working Capital Bank Claims against Railroad Holdings.

Class S-2X Claims: Sloss Working Capital Bank Claims. Class S-2X Claims shall consist of all Working Capital Bank Claims against Sloss.

Class S-2Y Claims: Southern Precision Working Capital Bank Claims. Class S-2Y Claims shall consist of all Working Capital Bank Claims against Southern Precision.

Class S-2Z Claims: United Land Working Capital Bank Claims. Class S-2Z Claims shall consist of all Working Capital Bank Claims against United Land.

Class S-2AA Claims: U.S. Pipe Working Capital Bank Claims. Class S-2AA Claims shall consist of all Working Capital Bank Claims against U.S. Pipe.

Class S-2BB Claims: Pipe Realty Working Capital Bank Claims. Class S-2BB Claims shall consist of all Working Capital Bank Claims against Pipe Realty.

Class S-2CC Claims: Vestal Working Capital Bank Claims. Class S-2CC Claims shall consist of all Working Capital Bank Claims against Vestal.

Class S-2EE Claims: Old Walter Industries Working Capital Bank Claims. Class S-2EE Claims shall consist of all Working Capital Bank Claims against Old Walter Industries.

Class S-2FF Claims: Walter Land Working Capital Bank Claims. Class S-2FF Claims shall consist of all Working Capital Bank Claims against Walter Land.

2.7 *Class S-3 Claims: Grace Street Note Claims.* Class S-3 Claims shall consist of the Grace Street Note Claims.

Class S-3EE Claims: Old Walter Industries Grace Street Note Claims. Class S-3EE Claims shall consist of the Grace Street Note Claims against Old Walter Industries.

2.8 *Class S-4 Claims: Sloss IRB Claim.* Class S-4 Claims shall consist of the Sloss IRB Claim.

Class S-4X Claims: Sloss IRB Claim. Class S-4X Claims shall consist of the Sloss IRB Claim against Sloss.

2.9 *Class S-5 Claims: Secured Equipment Purchase Claims.* Class S-5 Claims shall consist of all Secured Equipment Purchase Claims.

Class S-5J Claims: Computer Services Secured Equipment Purchase Claims. Class S-5J Claims shall consist of all Secured Equipment Purchase Claims against Computer Services.

Class S-5O Claims: JW Aluminum Secured Equipment Purchase Claims. Class S-5O Claims shall consist of all Secured Equipment Purchase Claims against JW Aluminum.

Class S-5S Claims: Window Components Secured Equipment Purchase Claims. Class S-5S Claims shall consist of all Secured Equipment Purchase Claims against Window Components.

Class S-5X Claims: Sloss Secured Equipment Purchase Claims. Class S-5X Claims shall consist of all Secured Equipment Purchase Claims against Sloss.

Class S-5Y Claims: Southern Precision Secured Equipment Purchase Claims. Class S-5Y Claims shall consist of all Secured Equipment Purchase Claims against Southern Precision.

Class S-5AA Claims: U.S. Pipe Secured Equipment Purchase Claims. Class S-5AA Claims shall consist of all Secured Equipment Purchase Claims against U.S. Pipe.

2.10 *Class S-6 Claims: Series B & C Senior Note Claims.* Class S-6 Claims shall consist of all Series B & C Senior Note Claims.

Class S-6A Claims: Hillsborough Series B & C Senior Note Claims. Class S-6A Claims shall consist of all Series B & C Senior Note Claims against Hillsborough.

Class S-6I Claims: Homes Holdings Series B & C Senior Note Claims. Class S-6I Claims shall consist of all Series B & C Senior Note Claims against Homes Holdings.

Class S-6K Claims: Jim Walter Homes Series B & C Senior Note Claims. Class S-6K Claims shall consist of all Series B & C Senior Note Claims against Jim Walter Homes.

Class S-6M Claims: Jim Walter Resources Series B & C Senior Note Claims. Class S-6M Claims shall consist of all Series B & C Senior Note Claims against Jim Walter Resources.

Class S-6P Claims: Resources Holdings Series B & C Senior Note Claims. Class S-6P Claims shall consist of all Series B & C Senior Note Claims against Resources Holdings.

Class S-6Z Claims: United Land Series B & C Senior Note Claims. Class S-6Z Claims shall consist of all Series B & C Senior Note Claims against United Land.

Class S-6AA Claims: U.S. Pipe Series B & C Senior Note Claims. Class S-6AA Claims shall consist of all Series B & C Senior Note Claims against U.S. Pipe.

Class S-6EE Claims: Old Walter Industries Series B & C Senior Note Claims. Class S-6EE Claims shall consist of all Series B & C Senior Note Claims against Old Walter Industries.

2.11 *Class S-7 Claims: Provident Life & Accident Insurance Company Claims.* Class S-7 Claims shall consist of all Provident Life & Accident Insurance Company Claims.

Class S-7EE Claims: Old Walter Industries Provident Life & Accident Insurance Company Claims. Class S-7EE Claims shall consist of all Provident Life & Accident Insurance Company Claims against Old Walter Industries.

2.12 *Class S-8 Claims: Revolving Credit Agents Claims.* Class S-8 Claims shall consist of all Revolving Credit Agents Claims.

Class S-8A Claims: Hillsborough Revolving Credit Agents Claims. Class S-8A Claims shall consist of all Revolving Credit Agents Claims against Hillsborough.

Class S-8B Claims: Best Revolving Credit Agents Claims. Class S-8B Claims shall consist of all Revolving Credit Agents Claims against Best.

Class S-8C Claims: Best (Miss.) Revolving Credit Agents Claims. Class S-8C Claims shall consist of all Revolving Credit Agents Claims against Best (Miss.).

Class S-8D Claims: Coast to Coast Revolving Credit Agents Claims. Class S-8D Claims shall consist of all Revolving Credit Agents Claims against Coast to Coast.

Class S-8E Claims: Computer Holdings Revolving Credit Agents Claims. Class S-8E Claims shall consist of all Revolving Credit Agents Claims against Computer Holdings.

Class S-8F Claims: Dixie Revolving Credit Agents Claims. Class S-8F Claims shall consist of all Revolving Credit Agents Claims against Dixie.

Class S-8G Claims: Hamer Holdings Revolving Credit Agents Claims. Class S-8G Claims shall consist of all Revolving Credit Agents Claims against Hamer Holdings.

Class S-8H Claims: Hamer Properties Revolving Credit Agents Claims. Class S-8H Claims shall consist of all Revolving Credit Agents Claims against Hamer Properties.

Class S-8I Claims: Homes Holdings Revolving Credit Agents Claims. Class S-8I Claims shall consist of all Revolving Credit Agents Claims against Homes Holdings.

Class S-8J Claims: Computer Services Revolving Credit Agents Claims. Class S-8J Claims shall consist of all Revolving Credit Agents Claims against Computer Services.

Class S-8K Claims: Jim Walter Homes Revolving Credit Agents Claims. Class S-8K Claims shall consist of all Revolving Credit Agents Claims against Jim Walter Homes.

Class S-8L Claims: JW Insurance Revolving Credit Agents Claims. Class S-8L Claims shall consist of all Revolving Credit Agents Claims against JW Insurance.

Class S-8M Claims: Jim Walter Resources Revolving Credit Agents Claims. Class S-8M Claims shall consist of all Revolving Credit Agents Claims against Jim Walter Resources.

Class S-8N Claims: Window Components (Wisc.) Revolving Credit Agents Claims. Class S-8N Claims shall consist of all Revolving Credit Agents Claims against Window Components (Wisc.).

Class S-8O Claims: JW Aluminum Revolving Credit Agents Claims. Class S-8O Claims shall consist of all Revolving Credit Agents Claims against JW Aluminum.

Class S-8P Claims: Resources Holdings Revolving Credit Agents Claims: Class S-8P Claims shall consist of all Revolving Credit Agents Claims against Resources Holdings.

Class S-8Q Claims: JWI Holdings Revolving Credit Agents Claims. Class S-8Q Claims shall consist of all Revolving Credit Agents Claims against JWI Holdings.

Class S-8R Claims: JW Walter Revolving Credit Agents Claims. Class S-8R Claims shall consist of all Revolving Credit Agents Claims against JW Walter.

Class S-8S Claims: Window Components Revolving Credit Agents Claims. Class S-8S Claims shall consist of all Revolving Credit Agents Claims against Window Components.

Class S-8T Claims: Land Holdings Revolving Credit Agents Claims. Class S-8T Claims shall consist of all Revolving Credit Agents Claims against Land Holdings.

Class S-8V Claims: Mid-State Holdings Revolving Credit Agents Claims. Class S-8V Claims shall consist of all Revolving Credit Agents Claims against Mid-State Holdings.

Class S-8W Claims: Railroad Holdings Revolving Credit Agents Claims. Class S-8W Claims shall consist of all Revolving Credit Agents Claims against Railroad Holdings.

Class S-8X Claims: Sloss Revolving Credit Agents Claims. Class S-8X Claims shall consist of all Revolving Credit Agents Claims against Sloss.

Class S-8Y Claims: Southern Precision Revolving Credit Agents Claims. Class S-8Y Claims shall consist of all Revolving Credit Agents Claims against Southern Precision.

Class S-8Z Claims: United Land Revolving Credit Agent Claims. Class S-8Z Claims shall consist of all Revolving Credit Agents Claims against United Land.

Class S-8AA Claims: U.S. Pipe Revolving Credit Agents Claims. Class S-8AA Claims shall consist of all Revolving Credit Agents Claims against U.S. Pipe.

Class S-8BB Claims: Pipe Realty Revolving Credit Agents Claims. Class S-8BB Claims shall consist of all Revolving Credit Agents Claims against Pipe Realty.

Class S-8CC Claims: Vestal Revolving Credit Agents Claims. Class S-8CC Claims shall consist of all Revolving Credit Agents Claims against Vestal.

Class S-8EE Claims: Old Walter Industries Revolving Credit Agents Claims. Class S-8EE Claims shall consist of all Revolving Credit Agents Claims against Old Walter Industries.

Class S-8FF Claims: Walter Land Revolving Credit Agents Claims. Class S-8FF Claims shall consist of all Revolving Credit Agents Claims against Walter Land.

Class S-8GG Claims: JW Resources Revolving Credit Agents Claims. Class S-8GG Claims shall consist of all Revolving Credit Agents Claims against JW Resources.

2.13 *Class S-9 Claims: Working Capital Agents Claims.* Class S-9 Claims shall consist of all Working Capital Agents Claims.

Class S-9A Claims: Hillsborough Working Capital Agents Claims. Class S-9A Claims shall consist of all Working Capital Agents Claims against Hillsborough.

Class S-9E Claims: Computer Holdings Working Capital Agents Claims. Class S-9E Claims shall consist of all Working Capital Agents Claims against Computer Holdings.

Class S-9G Claims: Hamer Holdings Working Capital Agents Claims. Class S-9G Claims shall consist of all Working Capital Agents Claims against Hamer Holdings.

Class S-9I Claims: Homes Holdings Working Capital Agents Claims. Class S-9I Claims shall consist of all Working Capital Agents Claims against Homes Holdings.

Class S-9M Claims: Jim Walter Resources Working Capital Agents Claims. Class S-9M Claims shall consist of all Working Capital Agents Claims against Jim Walter Resources.

Class S-9O Claims: JW Aluminum Working Capital Agents Claims. Class S-9O Claims shall consist of all Working Capital Agents Claims against JW Aluminum.

Class S-9P Claims: Resources Holdings Working Capital Agents Claims. Class S-9P Claims shall consist of all Working Capital Agents Claims against Resources Holdings.

Class S-9Q Claims: JWI Holdings Working Capital Agents Claims. Class S-9Q Claims shall consist of all Working Capital Agents Claims against JWI Holdings.

Class S-9S Claims: Window Components Working Capital Agents Claims. Class S-9S Claims shall consist of all Working Capital Agents Claims against Window Components.

Class S-9T Claims: Land Holdings Working Capital Agents Claims. Class S-9T Claims shall consist of all Working Capital Agents Claims against Land Holdings.

Class S-9V Claims: Mid-State Holdings Working Capital Agents Claims. Class S-9V Claims shall consist of all Working Capital Agents Claims against Mid-State Holdings.

Class S-9W Claims: Railroad Holdings Working Capital Agents Claims. Class S-9W Claims shall consist of all Working Capital Agents Claims against Railroad Holdings.

Class S-9X Claims: Sloss Working Capital Agents Claims. Class S-9X Claims shall consist of all Working Capital Agents Claims against Sloss.

Class S-9Y Claims: Southern Precision Working Capital Agents Claims. Class S-9Y Claims shall consist of all Working Capital Agents Claims against Southern Precision.

Class S-9Z Claims: United Land Working Capital Bank Claims. Class S-9Z Claims shall consist of all Working Capital Agents Claims against United Land.

Class S-9AA Claims: U.S. Pipe Working Capital Agents Claims. Class S-9AA Claims shall consist of all Working Capital Agents Claims against U.S. Pipe.

Class S-9BB Claims: Pipe Realty Working Capital Agents Claims. Class S-9BB Claims shall consist of all Working Capital Agents Claims against Pipe Realty.

Class S-9CC Claims: Vestal Working Capital Agents Claims. Class S-9CC Claims shall consist of all Working Capital Agents Claims against Vestal.

Class S-9EE Claims: Old Walter Industries Working Capital Agents Claims. Class S-9EE Claims shall consist of all Working Capital Agents Claims against Old Walter Industries.

Class S-9FF Claims: Walter Land Working Capital Agents Claims. Class S-9FF Claims shall consist of all Working Capital Agents Claims against Walter Land.

2.14 *Class S-10 Claims: Other Secured Claims.* Class S-10 Claims shall consist of all Other Secured Claims.

Class S-10A Claims: Hillsborough Other Secured Claims. Class S-10A Claims shall consist of all Other Secured Claims against Hillsborough.

Class S-10B Claims: Best Other Secured Claims. Class S-10B Claims shall consist of all Other Secured Claims against Best.

Class S-10C Claims: Best (Miss.) Other Secured Claims. Class S-10C Claims shall consist of all Other Secured Claims against Best (Miss.).

Class S-10D Claims: Coast to Coast Other Secured Claims. Class S-10D Claims shall consist of all Other Secured Claims against Coast to Coast.

Class S-10E Claims: Computer Holdings Other Secured Claims. Class S-10E Claims shall consist of all Other Secured Claims against Computer Holdings.

Class S-10F Claims: Dixie Other Secured Claims. Class S-10F Claims shall consist of all Other Secured Claims against Dixie.

Class S-10G Claims: Hamer Holdings Other Secured Claims. Class S-10G Claims shall consist of all Other Secured Claims against Hamer Holdings.

Class S-10H Claims: Hamer Properties Other Secured Claims. Class S-10H Claims shall consist of all Other Secured Claims against Hamer Properties.

Class S-10I Claims: Homes Holdings Other Secured Claims. Class S-10I Claims shall consist of all Other Secured Claims against Homes Holdings.

Class S-10J Claims: Computer Services Other Secured Claims. Class S-10J Claims shall consist of all Other Secured Claims against Computer Services.

Class S-10K Claims: Jim Walter Homes Other Secured Claims. Class S-10K Claims shall consist of all Other Secured Claims against Jim Walter Homes.

Class S-10L Claims: JW Insurance Other Secured Claims. Class S-10L Claims shall consist of all Other Secured Claims against JW Insurance.

Class S-10M Claims: Jim Walter Resources Other Secured Claims. Class S-10M Claims shall consist of all Other Secured Claims against Jim Walter Resources.

Class S-10N Claims: Window Components (Wisc.) Other Secured Claims. Class S-10N Claims shall consist of all Other Secured Claims against Window Components (Wisc.).

Class S-10O Claims: JW Aluminum Other Secured Claims. Class S-10O Claims shall consist of all Other Secured Claims against JW Aluminum.

Class S-10P Claims: Resources Holdings Other Secured Claims. Class S-10P Claims shall consist of all Other Secured Claims against Resources Holdings.

Class S-10Q Claims: JWI Holdings Other Secured Claims. Class S-10Q Claims shall consist of all Other Secured Claims against JWI Holdings.

Class S-10R Claims: JW Walter Other Secured Claims. Class S-10R Claims shall consist of all Other Secured Claims against JW Walter.

Class S-10S Claims: Window Components Other Secured Claims. Class S-10S Claims shall consist of all Other Secured Claims against Window Components.

Class S-10T Claims: Land Holdings Other Secured Claims. Class S-10T Claims shall consist of all Other Secured Claims against Land Holdings.

Class S-10U Claims: Mid-State Homes Other Secured Claims. Class S-10U Claims shall consist of all Other Secured Claims against Mid-State Homes.

Class S-10V Claims: Mid-State Holdings Other Secured Claims. Class S-10V Claims shall consist of all Other Secured Claims against Mid-State Holdings.

Class S-10W Claims: Railroad Holdings Other Secured Claims. Class S-10W Claims shall consist of all Other Secured Claims against Railroad Holdings.

Class S-10X Claims: Sloss Other Secured Claims. Class S-10X Claims shall consist of all Other Secured Claims against Sloss.

Class S-10Y Claims: Southern Precision Other Secured Claims. Class S-10Y Claims shall consist of all Other Secured Claims against Southern Precision.

Class S-10Z Claims: United Land Other Secured Claims. Class S-10Z Claims shall consist of all Other Secured Claims against United Land.

Class S-10AA Claims: U.S. Pipe Other Secured Claims. Class S-10AA Claims shall consist of all Other Secured Claims against U.S. Pipe.

Class S-10BB Claims: Pipe Realty Other Secured Claims. Class S-10BB Claims shall consist of all Other Secured Claims against Pipe Realty.

Class S-10CC Claims: Vestal Other Secured Claims. Class S-10CC Claims shall consist of all Other Secured Claims against Vestal.

Class S-10DD Claims: Home Improvement Other Secured Claims. Class S-10DD Claims shall consist of all Other Secured Claims against Home Improvement.

Class S-10EE Claims: Old Walter Industries Other Secured Claims. Class S-10EE Claims shall consist of all Other Secured Claims against Old Walter Industries.

Class S-10FF Claims: Walter Land Other Secured Claims. Class S-10FF Claims shall consist of all Other Secured Claims against Walter Land.

Class S-10GG Claims: JW Resources Other Secured Claims. Class S-10GG Claims shall consist of all Other Secured Claims against JW Resources.

UNSECURED CLAIMS

Unsecured Claims consist of Old Walter Industries IRB Claims, Convenience Class Claims, Other Unsecured Claims, Senior Subordinated Note Claims, 17% Subordinated Note Claims, Pre-LBO Debenture Claims and Settlement Claims.

2.15 *Class U-1 Claims: Old Walter Industries IRB Claims.* Class U-1 Claims shall consist of the Old Walter Industries IRB Claims.

Class U-1EE: Old Walter Industries IRB Claims. Class U-1EE Claims shall consist of the Old Walter Industries IRB Claims against Old Walter Industries.

2.16 *Class U-2 Claims: Convenience Class Claims.* Class U-2 Claims shall consist of all Convenience Class Claims.

Class U-2A Claims: Hillsborough Convenience Class Claims. Class U-2A Claims shall consist of all Convenience Class Claims against Hillsborough.

Class U-2B Claims: Best Convenience Class Claims. Class U-2B Claims shall consist of all Convenience Class Claims against Best.

Class U-2C Claims: Best (Miss.) Convenience Class Claims. Class U-2C Claims shall consist of all Convenience Class Claims against Best (Miss.).

Class U-2D Claims: Coast to Coast Convenience Class Claims. Class U-2D Claims shall consist of all Convenience Class Claims against Coast to Coast.

Class U-2E Claims: Computer Holdings Convenience Class Claims. Class U-2E Claims shall consist of all Convenience Class Claims against Computer Holdings.

Class U-2F Claims: Dixie Convenience Class Claims. Class U-2F Claims shall consist of all Convenience Class Claims against Dixie.

Class U-2G Claims: Hamer Holdings Convenience Class Claims. Class U-2G Claims shall consist of all Convenience Class Claims against Hamer Holdings.

Class U-2H Claims: Hamer Properties Convenience Class Claims. Class U-2H Claims shall consist of all Convenience Class Claims against Hamer Properties.

Class U-2I Claims: Homes Holdings Convenience Class Claims. Class U-2I Claims shall consist of all Convenience Class Claims against Homes Holdings.

Class U-2J Claims: Computer Services Convenience Class Claims. Class U-2J Claims shall consist of all Convenience Class Claims against Computer Services.

Class U-2K Claims: Jim Walter Homes Convenience Class Claims. Class U-2K Claims shall consist of all Convenience Class Claims against Jim Walter Homes.

Class U-2L Claims: JW Insurance Corporation Convenience Class Claims. Class U-2L Claims shall consist of all Convenience Class Claims against JW Insurance.

Class U-2M Claims: Jim Walter Resources Convenience Class Claims. Class U-2M Claims shall consist of all Convenience Class Claims against Jim Walter Resources.

Class U-2N Claims: Window Components (Wisc.) Convenience Class Claims. Class U-2N Claims shall consist of all Convenience Class Claims against Window Components (Wisc.).

Class U-2O Claims: JW Aluminum Convenience Class Claims. Class U-2O Claims shall consist of all Convenience Class Claims against JW Aluminum.

Class U-2P Claims: Resources Holdings Convenience Class Claims. Class U-2P Claims shall consist of all Convenience Class Claims against Resources Holdings.

Class U-2Q Claims: JWI Holdings Convenience Class Claims. Class U-2Q Claims shall consist of all Convenience Class Claims against JWI Holdings.

Class U-2R Claims: JW Walter Convenience Class Claims. Class U-2R Claims shall consist of all Convenience Class Claims against JW Walter.

Class U-2S Claims: Window Components Convenience Class Claims. Class U-2S Claims shall consist of all Convenience Class Claims against Window Components.

Class U-2T Claims: Land Holdings Convenience Class Claims. Class U-2T Claims shall consist of all Convenience Class Claims against Land Holdings.

Class U-2U Claims: Mid-State Homes Convenience Class Claims. Class U-2U Claims shall consist of all Convenience Class Claims against Mid-State Homes.

Class U-2V Claims: Mid-State Holdings Convenience Class Claims. Class U-2V Claims shall consist of all Convenience Class Claims against Mid-State Holdings.

Class U-2W Claims: Railroad Holdings Convenience Class Claims. Class U-2W Claims shall consist of all Convenience Class Claims against Railroad Holdings.

Class U-2X Claims: Sloss Convenience Class Claims. Class U-2X Claims shall consist of all Convenience Class Claims against Sloss.

Class U-2Y Claims: Southern Precision Convenience Class Claims. Class U-2Y Claims shall consist of all Convenience Class Claims against Southern Precision.

Class U-2Z Claims: United Land Convenience Class Claims. Class U-2Z Claims shall consist of all Convenience Class Claims against United Land.

Class U-2AA Claims: U.S. Pipe Convenience Class Claims. Class U-2AA Claims shall consist of all Convenience Class Claims against U.S. Pipe.

Class U-2BB Claims: Pipe Realty Convenience Class Claims. Class U-2BB Claims shall consist of all Convenience Class Claims against Pipe Realty.

Class U-2CC Claims: Vestal Convenience Class Claims. Class U-2CC Claims shall consist of all Convenience Class Claims against Vestal.

Class U-2DD Claims: Home Improvement Convenience Class Claims. Class U-2DD Claims shall consist of all Convenience Class Claims against Home Improvement.

Class U-2EE Claims: Old Walter Industries Convenience Class Claims. Class U-2EE Claims shall consist of all Convenience Class Claims against Old Walter Industries.

Class U-2FF Claims: Walter Land Convenience Class Claims. Class U-2FF Claims shall consist of all Convenience Class Claims against Walter Land.

Class U-2GG Claims: JW Resources Convenience Class Claims. Class U-2GG Claims shall consist of all Convenience Class Claims against JW Resources.

2.17 *Class U-3 Claims: Other Unsecured Claims.* Class U-3 Claims shall consist of all Other Unsecured Claims.

Class U-3A Claims: Hillsborough Other Unsecured Claims. Class U-3A Claims shall consist of all Other Unsecured Claims against Hillsborough.

Class U-3B Claims: Best Other Unsecured Claims. Class U-3B Claims shall consist of all Other Unsecured Claims against Best.

Class U-3C Claims: Best (Miss.) Other Unsecured Claims. Class U-3C Claims shall consist of all Other Unsecured Claims against Best (Miss.).

Class U-3D Claims: Coast to Coast Other Unsecured Claims. Class U-3D Claims shall consist of all Other Unsecured Claims against Coast to Coast.

Class U-3E Claims: Computer Holdings Other Unsecured Claims. Class U-3E Claims shall consist of all Other Unsecured Claims against Computer Holdings.

Class U-3F Claims: Dixie Other Unsecured Claims. Class U-3F Claims shall consist of all Other Unsecured Claims against Dixie.

Class U-3G Claims: Hamer Holdings Other Unsecured Claims. Class U-3G Claims shall consist of all Other Unsecured Claims against Hamer Holdings.

Class U-3H Claims: Hamer Properties Other Unsecured Claims. Class U-3H Claims shall consist of all Other Unsecured Claims against Hamer Properties.

Class U-3I Claims: Homes Holdings Other Unsecured Claims. Class U-3I Claims shall consist of all Other Unsecured Claims against Homes Holdings.

Class U-3J Claims: Computer Services Other Unsecured Claims. Class U-3J Claims shall consist of all Other Unsecured Claims against Computer Services.

Class U-3K Claims: Jim Walter Homes Other Unsecured Claims. Class U-3K Claims shall consist of all Other Unsecured Claims against Jim Walter Homes.

Class U-3L Claims: JW Insurance Other Unsecured Claims. Class U-3L Claims shall consist of all Other Unsecured Claims against JW Insurance.

Class U-3M Claims: Jim Walter Resources Other Unsecured Claims. Class U-3M Claims shall consist of all Other Unsecured Claims against Jim Walter Resources.

Class U-3N Claims: Window Components (Wisc.) Other Unsecured Claims. Class U-3N Claims shall consist of all Other Unsecured Claims against Window Components (Wisc.).

Class U-3O Claims: JW Aluminum Other Unsecured Claims. Class U-3O Claims shall consist of all Other Unsecured Claims against JW Aluminum.

Class U-3P Claims: Resources Holdings Other Unsecured Claims. Class U-3P Claims shall consist of all Other Unsecured Claims against Resources Holdings.

Class U-3Q Claims: JWI Holdings Other Unsecured Claims. Class U-3Q Claims shall consist of all Other Unsecured Claims against JWI Holdings.

Class U-3R Claims: JW Walter Other Unsecured Claims. Class U-3R Claims shall consist of all Other Unsecured Claims against JW Walter.

Class U-3S Claims: Window Components Other Unsecured Claims. Class U-3S Claims shall consist of all Other Unsecured Claims against Window Components.

Class U-3T Claims: Land Holdings Other Unsecured Claims. Class U-3T Claims shall consist of all Other Unsecured Claims against Land Holdings.

Class U-3U Claims: Mid-State Homes Other Unsecured Claims. Class U-3U Claims shall consist of all Other Unsecured Claims against Mid-State Homes.

Class U-3V Claims: Mid-State Holdings Other Unsecured Claims. Class U-3V Claims shall consist of all Other Unsecured Claims against Mid-State Holdings.

Class U-3W Claims: Railroad Holdings Other Unsecured Claims. Class U-3W Claims shall consist of all Other Unsecured Claims against Railroad Holdings.

Class U-3X Claims: Sloss Other Unsecured Claims. Class U-3X Claims shall consist of all Other Unsecured Claims against Sloss.

Class U-3Y Claims: Southern Precision Other Unsecured Claims. Class U-3Y Claims shall consist of all Other Unsecured Claims against Southern Precision.

Class U-3Z Claims: United Land Other Unsecured Claims. Class U-3Z Claims shall consist of all Other Unsecured Claims against United Land.

Class U-3AA Claims: U.S. Pipe Other Unsecured Claims. Class U-3AA Claims shall consist of all Other Unsecured Claims against U.S. Pipe.

Class U-3BB Claims: Pipe Realty Other Unsecured Claims. Class U-3BB Claims shall consist of all Other Unsecured Claims against Pipe Realty.

Class U-3CC Claims: Vestal Other Unsecured Claims. Class U-3CC Claims shall consist of all Other Unsecured Claims against Vestal.

Class U-3DD Claims: Home Improvement Other Unsecured Claims. Class U-3DD Claims shall consist of all Other Unsecured Claims against Home Improvement.

Class U-3EE Claims: Old Walter Industries Other Unsecured Claims. Class U-3EE Claims shall consist of all Other Unsecured Claims against Old Walter Industries.

Class U-3FF Claims: Walter Land Other Unsecured Claims. Class U-3FF Claims shall consist of all Other Unsecured Claims against Walter Land.

Class U-3GG Claims: JW Resources Other Unsecured Claims. Class U-3GG Claims shall consist of all Other Unsecured Claims against JW Resources.

2.18 *Class U-4 Claims: Senior Subordinated Note Claims.* Class U-4 Claims shall consist of all Senior Subordinated Note Claims.

Class U-4A Claims: Hillsborough Senior Subordinated Note Claims. Class U-4A Claims shall consist of all Senior Subordinated Note Claims against Hillsborough.

Class U-4I Claims: Homes Holdings Senior Subordinated Note Claims. Class U-41 Claims shall consist of all Senior Subordinated Note Claims against Homes Holdings.

Class U-4K Claims: Jim Walter Homes Senior Subordinated Note Claims. Class U-4K Claims shall consist of all Senior Subordinated Note Claims against Jim Walter Homes.

Class U-4Z Claims: United Land Senior Subordinated Note Claims. Class U-4Z Claims shall consist of all Senior Subordinated Note Claims against United Land.

Class U-4AA Claims: U.S. Pipe Senior Subordinated Note Claims. Class U-4AA Claims shall consist of all Senior Subordinated Note Claims against U.S. Pipe.

Class U-4EE Claims: Old Walter Industries Senior Subordinated Note Claims. Class U-4EE Claims shall consist of all Senior Subordinated Note Claims against Old Walter Industries.

2.19 *Class U-5 Claims: 17% Subordinated Note Claims.* Class U-5 Claims shall consist of all 17% Subordinated Note Claims.

Class U-5A Claims: Hillsborough 17% Subordinated Note Claims. Class U-5A Claims shall consist of all 17% Subordinated Note Claims against Hillsborough.

Class U-5I Claims: Homes Holdings 17% Subordinated Note Claims. Class U-5I Claims shall consist of all 17% Subordinated Note Claims against Homes Holdings.

Class U-5K Claims: Jim Walter Homes 17% Subordinated Note Claims. Class U-5K Claims shall consist of all 17% Subordinated Note Claims against Jim Walter Homes.

Class U-5Z Claims: United Land 17% Subordinated Note Claims. Class U-5Z Claims shall consist of all 17% Subordinated Note Claims against United Land.

Class U-5AA Claims: U.S. Pipe 17% Subordinated Note Claims. Class U-5AA Claims shall consist of all 17% Subordinated Note Claims against U.S. Pipe.

Class U-5EE Claims: Old Walter Industries 17% Subordinated Note Claims. Class U-5EE Claims shall consist of all 17% Subordinated Note Claims against Old Walter Industries.

2.20 *Class U-6 Claims: Pre-LBO Debenture Claims.* Class U-6 Claims shall consist of all Pre-LBO Debenture Claims.

Class U-6EE Claims: Old Walter Industries Pre-LBO Debenture Claims. Class U-6EE Claims shall consist of all Pre-LBO Debenture Claims against Old Walter Industries.

2.21 *Class U-7 Claims: Settlement Claims.* Class U-7 Claims shall consist of Settlement Claims.

Class U-7A Claims: Hillsborough Settlement Claims. Class U-7A Claims shall consist of all Settlement Claims against Hillsborough.

Class U-7B Claims: Best Settlement Claims. Class U-7B Claims shall consist of all Settlement Claims against Best.

Class U-7C Claims: Best (Miss.) Settlement Claims. Class U-7C Claims shall consist of all Settlement Claims against Best (Miss.).

Class U-7D Claims: Coast to Coast Settlement Claims. Class U-7D Claims shall consist of all Settlement Claims against Coast to Coast.

Class U-7E Claims: Computer Holdings Settlement Claims. Class U-7E Claims shall consist of all Settlement Claims against Computer Holdings.

Class U-7F Claims: Dixie Settlement Claims. Class U-7F Claims shall consist of all Settlement Claims against Dixie.

Class U-7G Claims: Hamer Holdings Settlement Claims. Class U-7G Claims shall consist of all Settlement Claims against Hamer Holdings.

Class U-7H Claims: Hamer Properties Settlement Claims. Class U-7H Claims shall consist of all Settlement Claims against Hamer Properties.

Class U-7I Claims: Homes Holdings Settlement Claims. Class U-7I Claims shall consist of all Settlement Claims against Homes Holdings.

Class U-7J Claims: Computer Services Settlement Claims. Class U-7J Claims shall consist of all Settlement Claims against Computer Services.

Class U-7K Claims: Jim Walter Homes Settlement Claims. Class U-7K Claims shall consist of all Settlement Claims against Jim Walter Homes.

Class U-7L Claims: JW Insurance Settlement Claims. Class U-7L Claims shall consist of all Settlement Claims against JW Insurance.

Class U-7M Claims: Jim Walter Resources Settlement Claims. Class U-7M Claims shall consist of all Settlement Claims against Jim Walter Resources.

Class U-7N Claims: Window Components (Wisc.) Settlement Claims. Class U-7N Claims shall consist of all Settlement Claims against Window Components (Wisc.).

Class U-7O Claims: JW Aluminum Settlement Claims. Class U-7O Claims shall consist of all Settlement Claims against JW Aluminum.

Class U-7P Claims: Resources Holdings Settlement Claims. Class U-7P Claims shall consist of all Settlement Claims against Resources Holdings.

Class U-7Q Claims: JWI Holdings Settlement Claims. Class U-7Q Claims shall consist of all Settlement Claims against JWI Holdings.

Class U-7R Claims: JW Walter Settlement Claims. Class U-7R Claims shall consist of all Settlement Claims against JW Walter.

Class U-7S Claims: Window Components Settlement Claims. Class U-7S Claims shall consist of all Settlement Claims against Window Components.

Class U-7T Claims: Land Holdings Settlement Claims. Class U-7T Claims shall consist of all Settlement Claims against Land Holdings.

Class U-7U Claims: Mid-State Homes Settlement Claims. Class U-7U Claims shall consist of all Settlement Claims against Mid-State Homes.

Class U-7V Claims: Mid-State Holdings Settlement Claims. Class U-7V Claims shall consist of all Settlement Claims against Mid-State Holdings.

Class U-7W Claims: Railroad Holdings Settlement Claims. Class U-7W Claims shall consist of all Settlement Claims against Railroad Holdings.

Class U-7X Claims: Sloss Settlement Claims. Class U-7X Claims shall consist of all Settlement Claims against Sloss.

Class U-7Y Claims: Southern Precision Settlement Claims. Class U-7Y Claims shall consist of all Settlement Claims against Southern Precision.

Class U-7Z Claims: United Land Settlement Claims. Class U-7Z Claims shall consist of all Settlement Claims against United Land.

Class U-7AA Claims: U.S. Pipe Settlement Claims. Class U-7AA Claims shall consist of all Settlement Claims against U.S. Pipe.

Class U-7BB Claims: Pipe Realty Settlement Claims. Class U-7BB Claims shall consist of all Settlement Claims against Pipe Realty.

Class U-7CC Claims: Vestal Settlement Claims. Class U-7CC Claims shall consist of all Settlement Claims against Vestal.

Class U-7DD Claims: Home Improvement Settlement Claims. Class U-7DD Claims shall consist of all Settlement Claims against Home Improvement.

Class U-7EE Claims: Old Walter Industries Settlement Claims. Class U-7EE Claims shall consist of all Settlement Claims against Old Walter Industries.

Class U-7FF Claims: Walter Land Settlement Claims. Class U-7FF Claims shall consist of all Settlement Claims against Walter Land.

Class U-7GG Claims: JW Resources Settlement Claims. Class U-7GG Claims shall consist of all Settlement Claims against JW Resources.

INTERCOMPANY CLAIMS

Intercompany Claims consist of Intercompany IRB Claims, Pre-Filing Date Intercompany Notes Payable Claims and Post-Filing Date Intercompany Notes Payable Claims.

2.22 *Class I-1 Claims: Intercompany IRB Claims.* Class I-1 Claims shall consist of all Intercompany IRB Claims.

Class I-1X Claims: Sloss Intercompany IRB Claims. Class I-1X Claims shall consist of all Intercompany IRB Claims against Sloss.

2.23 *Class I-2 Claims: Pre-Filing Date Intercompany Notes Payable Claims.* Class I-2 Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims.

Class I-2A Claims: Hillsborough Pre-Filing Date Intercompany Notes Payable Claims. Class I-2A Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Hillsborough.

Class I-2B Claims: Best Pre-Filing Date Intercompany Notes Payable Claims. Class I-2B Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Best.

Class I-2C Claims: Best (Miss.) Pre-Filing Date Intercompany Notes Payable Claims. Class I-2C Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Best (Miss.).

Class I-2D Claims: Coast to Coast Pre-Filing Date Intercompany Notes Payable Claims. Class I-2D Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Coast to Coast.

Class I-2E Claims: Computer Holdings Pre-Filing Date Intercompany Notes Payable Claims. Class I-2E Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Computer Holdings.

Class I-2F Claims: Dixie Pre-Filing Date Intercompany Notes Payable Claims. Class I-2F Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Dixie.

Class I-2G Claims: Hamer Holdings Pre-Filing Date Intercompany Notes Payable Claims. Class I-2G Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Hamer Holdings.

Class I-2H Claims: Hamer Properties Pre-Filing Date Intercompany Notes Payable Claims. Class I-2H Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Hamer Properties.

Class I-2I Claims: Homes Holdings Pre-Filing Date Intercompany Notes Payable Claims. Class I-2I Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Homes Holdings.

Class I-2J Claims: Computer Services Pre-Filing Date Intercompany Notes Payable Claims. Class I-2J Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Computer Services.

Class I-2K Claims: Jim Walter Homes Pre-Filing Date Intercompany Notes Payable Claims. Class I-2K Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Jim Walter Homes.

Class I-2M Claims: Jim Walter Resources Pre-Filing Date Intercompany Notes Payable Claims. Class I-2M Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Jim Walter Resources.

Class I-2N Claims: Window Components (Wisc.) Pre-Filing Date Intercompany Notes Payable Claims. Class I-2N Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Window Components (Wisc.).

Class I-2O Claims: JW Aluminum Pre-Filing Date Intercompany Notes Payable Claims. Class I-2O Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against JW Aluminum.

Class I-2P Claims: Resources Holdings Pre-Filing Date Intercompany Notes Payable Claims. Class I-2P Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Resources Holdings.

Class I-2Q Claims: JWI Holdings Pre-Filing Date Intercompany Notes Payable Claims. Class I-2Q Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against JWI Holdings.

Class I-2R Claims: JW Walter Pre-Filing Date Intercompany Notes Payable Claims. Class I-2R Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against JW Walter.

Class I-2S Claims: Window Components Pre-Filing Date Intercompany Notes Payable Claims. Class I-2S Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Window Components.

Class I-2T Claims: Land Holdings Pre-Filing Date Intercompany Notes Payable Claims. Class I-2T Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Land Holdings.

Class I-2U Claims: Mid-State Homes Pre-Filing Date Intercompany Notes Payable Claims. Class I-2U Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Mid-State Homes.

Class I-2V Claims: Mid-State Holdings Pre-Filing Date Intercompany Notes Payable Claims. Class I-2V Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Mid-State Holdings.

Class I-2W Claims: Railroad Holdings Pre-Filing Date Intercompany Notes Payable Claims. Class I-2W Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Railroad Holdings.

Class I-2X Claims: Sloss Pre-Filing Date Intercompany Notes Payable Claims. Class I-2X Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Sloss.

Class I-2Y Claims: Southern Precision Pre-Filing Date Intercompany Notes Payable Claims. Class I-2Y Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Southern Precision.

Class I-2Z Claims: United Land Pre-Filing Date Intercompany Notes Payable Claims. Class I-2Z Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against United Land.

Class I-2AA Claims: U.S. Pipe Pre-Filing Date Intercompany Notes Payable Claims. Class I-2AA Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against U.S. Pipe.

Class I-2BB Claims: Pipe Realty Pre-Filing Date Intercompany Notes Payable Claims. Class I-2BB Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Pipe Realty.

Class I-2CC Claims: Vestal Pre-Filing Date Intercompany Notes Payable Claims. Class I-2CC Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Vestal.

Class I-2DD Claims: Home Improvement Pre-Filing Date Intercompany Notes Payable Claims Class I-2DD Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Home Improvement.

Class I-2EE Claims: Old Walter Industries Pre-Filing Date Intercompany Notes Payable Claims. Class I-2EE Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Old Walter Industries.

Class I-2FF Claims: Walter Land Pre-Filing Date Intercompany Notes Payable Claims. Class I-2FF Claims shall consist of all Pre-Filing Date Intercompany Notes Payable Claims against Walter Land.

2.24 *Class I-3 Claims: Post-Filing Date Intercompany Notes Payable Claims.* Class I-3 Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims.

Class I-3A Claims: Hillsborough Post-Filing Date Intercompany Notes Payable Claims. Class I-3A Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Hillsborough.

Class I-3B Claims: Best Post-Filing Date Intercompany Notes Payable Claims. Class I-3B Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Best.

Class I-3C Claims: Best (Miss.) Post-Filing Date Intercompany Notes Payable Claims. Class I-3C Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Best (Miss.).

Class I-3E Claims: Computer Holdings Post-Filing Date Intercompany Notes Payable Claims. Class I-3E Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Computer Holdings.

Class I-3F Claims: Dixie Post-Filing Date Intercompany Notes Payable Claims. Class I-3F Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Dixie.

Class I-3G Claims: Hamer Holdings Post-Filing Date Intercompany Notes Payable Claims. Class I-3G Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Hamer Holdings.

Class I-3H Claims: Hamer Properties Post-Filing Date Intercompany Notes Payable Claims. Class I-3H Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Hamer Properties.

Class I-3I Claims: Homes Holdings Post-Filing Date Intercompany Notes Payable Claims. Class I-3I Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Homes Holdings.

Class I-3J Claims: Computer Services Post-Filing Date Intercompany Notes Payable Claims. Class I-3J Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Computer Services.

Class I-3K Claims: Jim Walter Homes Post-Filing Date Intercompany Notes Payable Claims. Class I-3K Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Jim Walter Homes.

Class I-3L Claims: JW Insurance Post-Filing Date Intercompany Notes Payable Claims. Class I-3L Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against JW Insurance.

Class I-3M Claims: Jim Walter Resources Post-Filing Date Intercompany Notes Payable Claims. Class I-3M Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Jim Walter Resources.

Class I-3N Claims: Window Components (Wisc.) Post-Filing Date Intercompany Notes Payable Claims. Class I-3N Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Window Components (Wisc.).

Class I-3O Claims: JW Aluminum Post-Filing Date Intercompany Notes Payable Claims. Class I-3O Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against JW Aluminum.

Class I-3P Claims: Resources Holdings Post-Filing Date Intercompany Notes Payable Claims. Class I-3P Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Resources Holdings.

Class I-3Q Claims: JWI Holdings Post-Filing Date Intercompany Notes Payable Claims. Class I-3Q Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against JWI Holdings.

Class I-3R Claims: JW Walter Post-Filing Date Intercompany Notes Payable Claims. Class I-3R Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against JW Walter.

Class I-3S Claims: Window Components Post-Filing Date Intercompany Notes Payable Claims. Class I-3S Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Window Components.

Class I-3T Claims: Land Holdings Post-Filing Date Intercompany Notes Payable Claims. Class I-3T Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Land Holdings.

Class I-3U Claims: Mid-State Homes Post-Filing Date Intercompany Notes Payable Claims. Class I-3U Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Mid-State Homes.

Class I-3V Claims: Mid-State Holdings Post-Filing Date Intercompany Notes Payable Claims. Class I-3V Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Mid-State Holdings.

Class I-3W Claims: Railroad Holdings Post-Filing Date Intercompany Notes Payable Claims. Class I-3W Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Railroad Holdings.

Class I-3X Claims: Sloss Post-Filing Date Intercompany Notes Payable Claims. Class I-3X Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Sloss.

Class I-3Y Claims: Southern Precision Post-Filing Date Intercompany Notes Payable Claims. Class I-3Y Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Southern Precision.

Class I-3Z Claims: United Land Post-Filing Date Intercompany Notes Payable Claims. Class I-3Z Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against United Land.

Class I-3AA Claims: U.S. Pipe Post-Filing Date Intercompany Notes Payable Claims. Class I-3AA Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against U.S. Pipe.

Class I-3BB Claims: Pipe Realty Post-Filing Date Intercompany Notes Payable Claims. Class I-3BB Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Pipe Realty.

Class I-3CC Claims: Vestal Post-Filing Date Intercompany Notes Payable Claims. Class I-3CC Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Vestal.

Class I-3DD Claims: Home Improvement Post-Filing Date Intercompany Notes Payable Claims. Class I-3DD Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Home Improvement.

Class I-3EE Claims: Old Walter Industries Post-Filing Date Intercompany Notes Payable Claims. Class I-3EE Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Old Walter Industries.

Class I-3FF Claims: Walter Land Post-Filing Date Intercompany Notes Payable Claims. Class I-3FF Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against Walter Land.

Class I-3GG Claims: JW Resources Post-Filing Date Intercompany Notes Payable Claims. Class I-3GG Claims shall consist of all Post-Filing Date Intercompany Notes Payable Claims against JW Resources.

INTERESTS IN HILLSBOROUGH

Interests in Hillsborough consist of all Interests of Holders of Old Common Stock and Holders of Stock Acquisition Rights in Hillsborough.

2.25 *Class E-1 Interests: Old Common Stock Interests in Hillsborough.* Class E-1 Interests shall consist of all Interests of Holders of Old Common Stock.

Class E-1A Interests: Old Common Stock Interests in Hillsborough. Class E-1A Interests shall consist of all Interests of Holders of Old Common Stock.

2.26 *Class E-2 Interests: Stock Acquisition Rights in Hillsborough.* Class E-2 Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Hillsborough.

Class E-2A Interests: Stock Acquisition Rights in Hillsborough. Class E-2A Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Hillsborough.

INTERESTS IN DEBTORS OTHER THAN HILLSBOROUGH

Interests in the Debtors other than Hillsborough consist of all Interests of Holders of Subsidiary Common Stock and Holders of Stock Acquisition Rights in each Debtor other than Hillsborough.

2.27 *Class SE-1 Interests: Subsidiary Common Stock Interests in Debtors other than Hillsborough.* Class SE-1 Interests shall consist of all Interests of Holders of Subsidiary Common Stock.

Class SE-1B Interests: Subsidiary Common Stock Interests in Best. Class SE-1B Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Best issued and outstanding as of the Filing Date.

Class SE-1C Interests: Subsidiary Common Stock Interests in Best (Miss.). Class SE-1C Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Best (Miss.) issued and outstanding as of the Filing Date.

Class SE-1D Interests: Subsidiary Common Stock Interests in Coast to Coast. Class SE-1D Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Coast to Coast issued and outstanding as of the Filing Date.

Class SE-1E Interests: Subsidiary Common Stock Interests in Computer Holdings. Class SE-1E Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Computer Holdings issued and outstanding as of the Filing Date.

Class SE-1F Interests: Subsidiary Common Stock Interests in Dixie. Class SE-1F Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Dixie issued and outstanding as of the Filing Date.

Class SE-1G Interests: Subsidiary Common Stock Interests in Hamer Holdings. Class SE-1G Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Hamer Holdings issued and outstanding as of the Filing Date.

Class SE-1H Interests: Subsidiary Common Stock Interests in Hamer Properties. Class SE-1H Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Hamer Properties issued and outstanding as of the Filing Date.

Class SE-1I Interests: Subsidiary Common Stock Interests in Homes Holdings. Class SE-1I Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Homes Holdings issued and outstanding as of the Filing Date.

Class SE-1J Interests: Subsidiary Common Stock Interests in Computer Services. Class SE-1J Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Computer Services issued and outstanding as of the Filing Date.

Class SE-1K Interests: Subsidiary Common Stock Interests in Jim Walter Homes. Class SE-1K Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Jim Walter Homes issued and outstanding as of the Filing Date.

Class SE-1L Interests: Subsidiary Common Stock Interests in JW Insurance. Class SE-1L Interests shall consist of all Interests of Holders of Subsidiary Common Stock of JW Insurance issued and outstanding as of the Filing Date.

Class SE-1M Interests: Subsidiary Common Stock Interests in Jim Walter Resources. Class SE-1M Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Jim Walter Resources issued and outstanding as of the Filing Date.

Class SE-1N Interests: Subsidiary Common Stock Interests in Window Components (Wisc.) Class SE-1N Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Window Components (Wisc.) issued and outstanding as of the Filing Date.

Class SE-1O Interests: Subsidiary Common Stock Interests in JW Aluminum. Class SE-1O Interests shall consist of all Interests of Holders of Subsidiary Common Stock of JW Aluminum issued and outstanding as of the Filing Date.

Class SE-1P Interests: Subsidiary Common Stock Interests in Resources Holdings. Class SE-1P Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Resources Holdings issued and outstanding as of the Filing Date.

Class SE-1Q Interests: Subsidiary Common Stock Interests in JWI Holdings. Class SE-1Q Interests shall consist of all Interests of Holders of Subsidiary Common Stock of JWI Holdings issued and outstanding as of the Filing Date.

Class SE-1R Interests: Subsidiary Common Stock Interests in JW Walter. Class SE-1R Interests shall consist of all Interests of Holders of Subsidiary Common Stock of JW Walter issued and outstanding as of the Filing Date.

Class SE-1S Interests: Subsidiary Common Stock Interests in Window Components. Class SE-1S Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Window Components issued and outstanding as of the Filing Date.

Class SE-1T Interests: Subsidiary Common Stock Interests in Land Holdings. Class SE-1T Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Land Holdings issued and outstanding as of the Filing Date.

Class SE-1U Interests: Subsidiary Common Stock Interests in Mid-State Homes. Class SE-1U Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Mid-State Homes issued and outstanding as of the Filing Date.

Class SE-1V Interests: Subsidiary Common Stock Interests in Mid-State Holdings. Class SE-1V Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Mid-State Holdings issued and outstanding as of the Filing Date.

Class SE-1W Interests: Subsidiary Common Stock Interests in Railroad Holdings. Class SE-1W Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Railroad Holdings issued and outstanding as of the Filing Date.

Class SE-1X Interests: Subsidiary Common Stock Interests in Sloss. Class SE-1X Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Sloss issued and outstanding as of the Filing Date.

Class SE-1Y Interests: Subsidiary Common Stock Interests in Southern Precision. Class SE-1Y Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Southern Precision issued and outstanding as of the Filing Date.

Class SE-1Z Interests: Subsidiary Common Stock Interests in United Land. Class SE-1Z Interests shall consist of all Interests of Holders of Subsidiary Common Stock of United Land issued and outstanding as of the Filing Date.

Class SE-1AA Interests: Subsidiary Common Stock Interests in U.S. Pipe. Class SE-1AA Interests shall consist of all Interests of Holders of Subsidiary Common Stock of U.S. Pipe issued and outstanding as of the Filing Date.

Class SE-1BB Interests: Subsidiary Common Stock Interests in Pipe Realty. Class SE-1BB Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Pipe Realty issued and outstanding as of the Filing Date.

Class SE-1CC Interests: Subsidiary Common Stock Interests in Vestal. Class SE-1CC Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Vestal issued and outstanding as of the Filing Date.

Class SE-1DD Interests: Subsidiary Common Stock Interests in Home Improvement. Class SE-1DD Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Home Improvement issued and outstanding as of the Filing Date.

Class SE-1EE Interests: Subsidiary Common Stock Interests in Old Walter Industries. Class SE-1EE Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Old Walter Industries issued and outstanding as of the Filing Date.

Class SE-1FF Interests: Subsidiary Common Stock Interests in Walter Land. Class SE-1FF Interests shall consist of all Interests of Holders of Subsidiary Common Stock of Walter Land issued and outstanding as of the Filing Date.

Class SE-1GG Interests: Subsidiary Common Stock Interests in JW Resources. Class SE-1GG Interests shall consist of all Interests of Holders of Subsidiary Common Stock of JW Resources issued and outstanding as of the Filing Date.

2.28 *Class SE-2 Interests: Subsidiary Stock Acquisition Rights in Debtors other than Hillsborough.* Class SE-2 Interests shall consist of all Interests of Holders of Stock Acquisition Rights in each Debtor other than Hillsborough.

Class SE-2B Interests: Subsidiary Stock Acquisition Rights in Best. Class SE-2B Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Best.

Class SE-2C Interests: Subsidiary Stock Acquisition Rights in Best (Miss.). Class SE-2C Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Best (Miss.).

Class SE-2D Interests: Subsidiary Stock Acquisition Rights in Coast to Coast. Class SE-2D Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Coast to Coast.

Class SE-2E Interests: Subsidiary Stock Acquisition Rights in Computer Holdings. Class SE-2E Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Computer Holdings.

Class SE-2F Interests: Subsidiary Stock Acquisition Rights in Dixie. Class SE-2F Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Dixie.

Class SE-2G Interests: Subsidiary Stock Acquisition Rights in Hamer Holdings. Class SE-2G Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Hamer Holdings.

Class SE-2H Interests: Subsidiary Stock Acquisition Rights in Hamer Properties. Class SE-2H Interests shall consist of all Other Secured Claims against Hamer Properties.

Class SE-2I Interests: Subsidiary Stock Acquisition Rights in Homes Holdings. Class SE-2I Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Homes Holdings.

Class SE-2J Interests: Subsidiary Stock Acquisition Rights in Computer Services. Class SE-2J Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Computer Services.

Class SE-2K Interests: Subsidiary Stock Acquisition Rights in Jim Walter Homes. Class SE-2K Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Jim Walter Homes.

Class SE-2L Interests: Subsidiary Stock Acquisition Rights in JW Insurance. Class SE-2L Interests shall consist of all Interests of Holders of Stock Acquisition Rights in JW Insurance.

Class SE-2M Interests: Subsidiary Stock Acquisition Rights in Jim Walter Resources. Class SE-2M Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Jim Walter Resources.

Class SE-2N Interests: Subsidiary Stock Acquisition Rights in Window Components (Wisc.). Class SE-2N Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Window Components (Wisc.).

Class SE-2O Interests: Subsidiary Stock Acquisition Rights in JW Aluminum. Class SE-2O Interests shall consist of all Interests of Holders of Stock Acquisition Rights in JW Aluminum.

Class SE-2P Interests: Subsidiary Stock Acquisition Rights in Resources Holdings. Class SE-2P Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Resources Holdings.

Class SE-2Q Interests: Subsidiary Stock Acquisition Rights in JWI Holdings. Class SE-2Q Interests shall consist of all Interests of Holders of Stock Acquisition Rights in JWI Holdings.

Class SE-2R Interests: Subsidiary Stock Acquisition Rights in JW Walter. Class SE-2R Interests shall consist of all Interests of Holders of Stock Acquisition Rights in JW Walter.

Class SE-2S Interests: Subsidiary Stock Acquisition Rights in Window Components. Class SE-2S Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Window Components.

Class SE-2T Interests: Subsidiary Stock Acquisition Rights in Land Holdings. Class SE-2T Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Land Holdings.

Class SE-2U Interests: Subsidiary Stock Acquisition Rights in Mid-State Homes. Class SE-2U Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Mid-State Homes.

Class SE-2V Interests: Subsidiary Stock Acquisition Rights in Mid-State Holdings. Class SE-2V Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Mid-State Holdings.

Class SE-2W Interests: Subsidiary Stock Acquisition Rights in Railroad Holdings. Class SE-2W Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Railroad Holdings.

Class SE-2X Interests: Subsidiary Stock Acquisition Rights in Sloss. Class SE-2X Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Sloss.

Class SE-2Y Interests: Subsidiary Stock Acquisition Rights in Southern Precision. Class SE-2Y Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Southern Precision.

Class SE-2Z Interests: Subsidiary Stock Acquisition Rights in United Land. Class SE-2Z Interests shall consist of all Interests of Holders of Stock Acquisition Rights in United Land.

Class SE-2AA Interests: Subsidiary Stock Acquisition Rights in U.S. Pipe. Class SE-2AA Interests shall consist of all Interests of Holders of Stock Acquisition Rights in U.S. Pipe.

Class SE-2BB Interests: Subsidiary Stock Acquisition Rights in Pipe Realty. Class SE-2BB Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Pipe Realty.

Class SE-2CC Interests: Subsidiary Stock Acquisition Rights in Vestal. Class SE-2CC Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Vestal.

Class SE-2DD Interests: Subsidiary Stock Acquisition Rights in Home Improvement. Class SE-2DD Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Home Improvement.

Class SE-2EE Interests: Subsidiary Stock Acquisition Rights in Old Walter Industries. Class SE-2EE Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Old Walter Industries.

Class SE-2FF Interests: Subsidiary Stock Acquisition Rights in Walter Land. Class SE-2FF Interests shall consist of all Interests of Holders of Stock Acquisition Rights in Walter Land.

Class SE-2GG Interests: Subsidiary Stock Acquisition Rights in JW Resources. Class SE-2GG Interests shall consist of all Interests of Holders of Stock Acquisition Rights in JW Resources.

ARTICLE III

TREATMENT OF ALLOWED CLAIMS AND INTERESTS UNDER THE CONSENSUAL PLAN

3.1 *Satisfaction of Allowed Claims and Interests.* The treatment of and the consideration received by Holders of Allowed Claims or Interests pursuant to this Article III shall be in full satisfaction, release and discharge of (i) such Holder's respective Allowed Claims against or Interests in each and all of the Debtors, and (ii) any other claims, Demands, obligations, rights, causes of action and liabilities which such Holder may be entitled to assert against any Debtor, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, based in whole or in part upon any act, omission or other occurrence taking place on or prior to the Effective Date (including without limitation, any such claims, obligations, rights, causes of action and liabilities based upon any of the Veil Piercing-Related Issues or the LBO-Related Issues), except as provided in the Consensual Plan and the Confirmation Order.

UNCLASSIFIED CLAIMS

ADMINISTRATIVE CLAIMS

3.2 *Administrative Claims.* Each Holder of an Allowed Administrative Claim shall receive, in full satisfaction thereof, (1) Cash in an amount equal to the Allowed Amount of such Claim, without interest, on or promptly after the Effective Date, or (2) such amount, at such other date and upon such other terms as

shall have been agreed upon between the Holder of such Allowed Claim and the applicable Debtor and approved by a Final Order of the Court; *provided, however,* that Allowed Administrative Claims representing obligations incurred in the ordinary course of business of a Debtor or assumed by any Debtor subsequent to the Filing Date shall be paid or performed by such Debtor in accordance with the terms and conditions of each agreement relating thereto in the ordinary course of such Debtor's business.

PRIORITY CLAIMS

3.3 *Federal Income Tax Claims.* The Holder of the Allowed Federal Income Tax Claims shall receive, in full satisfaction thereof, Cash payments in an aggregate amount equal to the Allowed Amount of such Allowed Federal Income Tax Claim. The Allowed Amount shall be payable in equal quarterly installments over a six-year period from the earlier to occur of (i) the date of the assessment by the Internal Revenue Service of such Claim, and (ii) the date on which such Claim becomes an Allowed Claim, with interest on unpaid amounts from the later of the Effective Date, the date of assessment and the date on which the Claim becomes an Allowed Claim, at an annual rate equal to the Chemical Bank Prime Rate in effect on such date, in accordance with the provisions of Section 1129(a) of the Code and, if applicable, a Final Order of the Court; *provided* that if the date of any assessment shall have occurred prior to the Effective Date, then the Holder of the Federal Income Tax Claims shall receive Cash in an amount equal to the aggregate amount of all deferred Cash payments which were due and payable in accordance with the foregoing on or prior to the Effective Date, on or promptly after the Effective Date, unless such Holder and the Debtors (subject to Section 4.20 of the Consensual Plan) shall have agreed to a less favorable treatment of such Claim.

3.4 *Federal Excise Tax and Reclamation Claims.* Each Holder of an Allowed Federal Excise Tax and Reclamation Claim shall receive, in full satisfaction thereof, Cash in an amount equal to the Allowed Amount of such Claim, without interest, on or promptly after the Effective Date, unless such Holder and Jim Walter Resources shall have agreed to a less favorable treatment of such Claim.

3.5 *State and Local Tax Claims.* Each Holder of an Allowed State and Local Tax Claim shall receive, in full satisfaction thereof, Cash in an amount equal to the Allowed Amount of such Claim, without interest, on or promptly after the Effective Date, unless such Holder and the applicable Debtor shall have agreed to a less favorable treatment of such Claim.

CLASSIFIED CLAIMS

SECURED CLAIMS

3.6 *Class S-1 Claims: Revolving Credit Bank Claims.* Class S-1 Claims are impaired. Each Holder of a Class S-1 Allowed Claim shall receive, in full satisfaction thereof, Cash and New Common Stock as follows:

(a) Within 5 days following the Confirmation Date, or such other date as the Court may order (but in any event not later than the Effective Date), Cash in the amount of the portion of such Holder's Allowed Claim described in clauses (ii) and (iii) of Section 1.20(b) (the "Initial Revolving Credit Bank Claim Payment"); *provided, however,* that if the Initial Revolving Credit Bank Claim Payment is not made on or prior to June 30, 1994, then the Initial Revolving Credit Bank Claim Payment shall also include the portion of such Holder's Allowed Claim described in clause (iv) of Section 1.20(b);

(b) On the last Business Day of each calendar quarter occurring between the date of the Initial Revolving Credit Bank Claim Payment and the Effective Date, Cash in the amount of the unpaid portion of such Holder's Allowed Claim described in clause (v) of Section 1.20(b) which accrued during such calendar quarter and was not paid pursuant to Section 3.6(a); and

(c) On the Effective Date, Cash and, to the extent set forth in Section 1.20(b)(vi), New Common Stock in the amount of the Allowed Amount of such Holder's Allowed Claim to the extent not theretofore paid pursuant to Section 3.6(a) and (b), unless such Holder and the Debtors shall have agreed to a less favorable treatment of such Claim.

Upon receipt of the distribution specified in this Section 3.6, all Holders of Class S-1 Claims shall be deemed to have waived any and all subordination rights which they may otherwise have with respect to the distributions to be made pursuant to the Consensual Plan to Holders of Subordinated Note Claims and shall be permanently enjoined from enforcing, or attempting to enforce, any such subordination rights. Accordingly, distributions to be made pursuant to the Consensual Plan on account of Subordinated Note Claims shall not be subject to levy, garnishment, attachment or other legal process by any Holder of a Class S-1 Claim by reason of any subordination rights.

3.7 *Class S-2 Claims: Working Capital Bank Claims.* Class S-2 Claims are impaired. Each Holder of a Class S-2 Allowed Claim shall receive, in full satisfaction thereof, Cash and New Common Stock as follows:

(a) Within 5 days following the Confirmation Date, or such other date as the Court may order (but in any event not later than the Effective Date), Cash in the amount of the portion of such Holder's Allowed Claim described in clauses (ii) and (iii) of Section 1.20(c) (the "Initial Working Capital Bank Claim Payment"); *provided, however,* that if the Initial Working Capital Bank Claim Payment is not made on or prior to June 30, 1994, then the Initial Working Capital Bank Claim Payment shall also include the portion of such Holder's Allowed Claim described in clause (iv) of Section 1.20(c);

(b) On the last Business Day of each calendar quarter occurring between the date of the Initial Working Capital Bank Claim Payment and the Effective Date, Cash in the amount of the unpaid portion of such Holder's Allowed Claim described in clause (v) of Section 1.20(c) which accrued during such calendar quarter and was not paid pursuant to Section 3.7(a); and

(c) On the Effective Date, Cash and, to the extent set forth in Section 1.20(c)(vi), New Common Stock in the amount of the Allowed Amount of such Holder's Allowed Claim to the extent not theretofore paid pursuant to Section 3.7(a) and (b), unless such Holder and the Debtors shall have agreed to a less favorable treatment of such Claim.

Upon receipt of the distribution specified in this Section 3.7, all Holders of Class S-2 Claims shall be deemed to have waived any and all subordination rights which they may otherwise have with respect to the distributions to be made pursuant to the Consensual Plan to Holders of Subordinated Note Claims and shall be permanently enjoined from enforcing, or attempting to enforce, any such subordination rights. Accordingly, distributions to be made pursuant to the Consensual Plan on account of Subordinated Note Claims shall not be subject to levy, garnishment, attachment or other legal process by any Holder of a Class S-2 Claim by reason of any subordination rights.

3.8 *Class S-3 Claims: Grace Street Note Claims.* The Class S-3 Claims are not impaired. Each Holder of a Class S-3 Allowed Claim shall receive, in full satisfaction thereof, Cash in an amount equal to the Allowed Amount of such Claim on or promptly after the Effective Date, unless the Holder thereof and the Debtors shall have agreed to a less favorable treatment of such Claim.

3.9 *Class S-4 Claims: Sloss IRB Claim.* Class S-4 Claims are not impaired. The Holder of a Class S-4 Allowed Claim shall receive, in full satisfaction thereof, Cash in an amount equal to the Allowed Amount of such Claim, on or promptly after the Effective Date, unless the Holder thereof and the Debtors shall have agreed to a less favorable treatment of such Claim.

3.10 *Class S-5 Claims: Secured Equipment Purchase Claims.* Class S-5 Claims are not impaired. Each Holder of a Class S-5 Allowed Claim shall receive, in full satisfaction thereof, Cash in an amount equal to the Allowed Amount of such Claim, on or promptly after the Effective Date, unless such Holder and the Debtors shall have agreed to a less favorable treatment of such Claim.

3.11 *Class S-6 Claims: Series B & C Senior Note Claims.* Class S-6 Claims are impaired. Each Holder of a Class S-6 Allowed Claim shall receive, in full satisfaction thereof, (a) Cash in an amount equal to such Holder's Pro Rata share of the Class S-6 Fund, (b) such Holder's Pro Rata share of the New Common Stock set forth in Section 1.20(e)(iv), and (c) with respect to the difference between the Allowed Amount of such Holder's Class S-6 Claim and the amount of Cash and New Common Stock received pursuant to clauses (a) and (b), (i) if such Holder elected to receive all of the remainder of its Series B & C Senior Note Claim in

New Senior Notes pursuant to the Series B & C Senior Note Claim Election, an aggregate principal amount of New Senior Notes equal to such difference (or, if Cash is used to satisfy the Claims that would otherwise have been satisfied by New Senior Notes, an amount of Cash equal to the principal amount of New Senior Notes that would otherwise have been issued in respect of such Claim), or (ii) if such Holder did not make such election, an aggregate amount of Cash equal to such difference, on or promptly after the Effective Date, unless such Holder and Walter Industries shall have agreed to a less favorable treatment of such Claim.

As used herein, the "Class S-6 Fund" means the funds held by Chemical Bank, as successor to Manufacturers Hanover Trust Company, in a restricted Cash account, for the benefit of the holders of Series B & C Senior Notes, which funds represent a portion of (a) the cash collections received by Jim Walter Resources prior to the Filing Date from Jasper Corp. in connection with the non-recourse promissory note dated May 26, 1988 payable to Jim Walter Resources and (b) the proceeds from the sale of Oil Holdings Corporation by Hillsborough and other proceeds deposited with Manufacturers Hanover Trust Company, as predecessor to Chemical Bank, prior to the Filing Date, together with all earnings thereon to the date of distribution.

Upon receipt of the distribution specified in this Section 3.11, all Holders of Class S-6 Claims shall be deemed to have waived any and all subordination rights which they may otherwise have with respect to the distributions to be made pursuant to the Consensual Plan to Holders of Subordinated Note Claims and shall be permanently enjoined from enforcing, or attempting to enforce, any such subordination rights. Accordingly, distributions to be made pursuant to the Consensual Plan on account of Subordinated Note Claims shall not be subject to levy, garnishment, attachment or other legal process by any Holder of a Class S-6 Claim by reason of any subordination rights.

3.12 *Class S-7 Claims: Provident Life & Accident Insurance Company Claims.* Class S-7 Claims are not impaired. The Holder of the Class S-7 Allowed Claims shall receive, in full satisfaction thereof, Cash in an amount equal to the Allowed Amount of such Claims on or promptly after the Effective Date, unless such Holder and the Debtors shall have agreed to a less favorable treatment of such Claim.

Upon payment in Cash of the Allowed Amount of the Provident Life & Accident Insurance Company Claims, Walter Industries shall assume all unsatisfied obligations with respect to the loans underlying such Provident Life & Accident Insurance Company Claims in accordance with their original contractual terms. Upon the making of such payment and such assumption, any acceleration of any obligation and/or instrument or default in connection with the loans underlying such Provident Life & Accident Insurance Company Claims shall be deemed to be rescinded, waived or cured and of no force or effect, and the terms of such obligation and/or instrument shall be reinstated as if no such acceleration or default had occurred.

3.13 *Class S-8 Claims: Revolving Credit Agents Claims.* Class S-8 Allowed Claims are not impaired. Each Holder of a Class S-8 Allowed Claim shall receive on the Effective Date, in full satisfaction of such Claim, Cash in an amount equal to the Allowed Amount of such Claim. This Consensual Plan shall not affect the obligation of any such Holder to remit any such Cash so received to other Persons who have previously paid, or reimbursed such Holder in respect of, fees and expenses comprising a portion of such Claim.

Upon receipt of the distribution specified in this Section 3.13, all Holders of Class S-8 Claims shall be deemed to have waived any and all subordination rights which they may otherwise have with respect to the distributions to be made pursuant to the Consensual Plan to Holders of Subordinated Note Claims and shall be permanently enjoined from enforcing, or attempting to enforce, any such subordination rights. Accordingly, distributions to be made pursuant to the Consensual Plan on account of Subordinated Note Claims shall not be subject to levy, garnishment, attachment or other legal process by any Holder of a Class S-8 Claim by reason of any subordination rights.

3.14 *Class S-9 Claims: Working Capital Agents Claims.* Class S-9 Claims are not impaired. Each Holder of a Class S-9 Claim shall receive on the Effective Date, in full satisfaction of such Claim, Cash in an amount equal to the Allowed Amount of such Claim. This Consensual Plan shall not affect the obligation of any such Holder to remit any such Cash so received to other Persons who have previously paid, or reimbursed such Holder in respect of, fees and expenses comprising a portion of such Claim.

Upon receipt of the distribution specified in this Section 3.14, all Holders of Class S-9 Claims shall be deemed to have waived any and all subordination rights which they may otherwise have with respect to the distributions to be made pursuant to the Consensual Plan to Holders of Subordinated Note Claims and shall be permanently enjoined from enforcing, or attempting to enforce, any such subordination rights. Accordingly, distributions to be made pursuant to the Consensual Plan on account of Subordinated Note Claims shall not be subject to levy, garnishment, attachment or other legal process by any Holder of a Class S-9 Claim by reason of any subordination rights.

3.15 *Class S-10 Claims: Other Secured Claims.* Class S-10 Claims are not impaired. Each Holder, if any, of a Class S-10 Allowed Claim shall, in full satisfaction thereof, receive one of the following treatments: (i) the legal, equitable and contractual rights to which such Claim entitles the Holder shall be left unaltered; (ii) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default: (A) any such default that occurred before or after the Filing Date (other than a default of the kind specified in Section 365(b)(2) of the Code) shall be cured; (B) the maturity of such Claim shall be reinstated (as such maturity existed before such default); (C) the Holder of such Claim shall be compensated for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; and (D) the legal, equitable or contractual rights to which such Claim entitles the Holder of such Claim shall not otherwise be altered; or (iii) on the Effective Date, the Holder of such Claim shall receive, on account of such Claim, Cash equal to the Allowed Amount of such Claim; in each case unless such Holder and the applicable Debtor shall have agreed to a less favorable treatment of such Claim.

UNSECURED CLAIMS

3.16 *Class U-1 Claims: Old Walter Industries IRB Claims.* Class U-1 Claims are not impaired. Each Holder of a Class U-1 Allowed Claim shall receive Cash in an amount equal to the Allowed Amount of such Claim, on or promptly after the Effective Date, unless the Holder thereof and Walter Industries shall have agreed to a less favorable treatment of such Claim.

Upon payment in Cash of the Allowed Amount of the Old Walter Industries IRB Claims, Walter Industries shall assume all unsatisfied obligations under the Old Walter Industries IRBs in accordance with their original contractual terms. Upon the making of such payment and such assumption, any acceleration of any obligation and/or instrument or default in connection with the Old Walter Industries IRBs shall be deemed to be rescinded, waived or cured and of no force or effect and the terms of the Old Walter Industries IRBs shall be reinstated as if no such acceleration or default had occurred.

3.17 *Class U-2 Claims: Convenience Class Claims.* Class U-2 Claims are not impaired. Each Holder of a Class U-2 Allowed Claim shall receive, in full satisfaction thereof, Cash in an amount equal to the Allowed Amount of such Claim (of which the Pre-Filing Date Unsecured Allowed Amount shall not be in excess of $1,000), on or promptly after the Effective Date, unless such Holder and the applicable Debtor shall have agreed to a less favorable treatment of such Claim.

3.18 *Class U-3 Claims: Other Unsecured Claims.*

Class U-3 Claims are impaired. Each Holder of a Class U-3 Allowed Claim shall receive, in full satisfaction thereof, cash in an amount equal to the Allowed Amount of such Claim payable as follows:

(1) 75% of the Allowed Amount of such Claim, on or promptly after the Effective Date, unless such Holder and the applicable Debtor shall have agreed to a less favorable treatment of such Claim; and

(2) the balance of such Allowed Amount, together with interest accrued at the General Unsecured Interest Rate from the Effective Date to the date of actual payment of the 25% portion of the Pre-Filing Date Unsecured Allowed Amount not paid pursuant to clause (1) above, within six (6) months following the payment pursuant to clause (1) above unless such Holder and the applicable Debtor shall have agreed to a less favorable treatment of such Claim.

3.19 *Class U-4 Claims: Senior Subordinated Note Claims.* Class U-4 Claims are impaired. Each Holder of a Class U-4 Allowed Claim shall receive, in full satisfaction thereof, the Applicable Consideration allocated on account of such Claim, on or promptly after the Effective Date, unless such Holder and the applicable Debtors shall have agreed to a less favorable treatment of such Claim.

Upon receipt of the distribution specified in this Section 3.19, all Holders of Class U-4 Claims shall be deemed to have waived any and all subordination rights which they may otherwise have with respect to the distributions to be made to Holders of 17% Subordinated Note Claims and Pre-LBO Debenture Claims, pursuant to the Consensual Plan and shall be permanently enjoined from enforcing, or attempting to enforce, any such subordination rights. Accordingly, distributions to be made pursuant to the Consensual Plan on account of 17% Subordinated Note Claims and Pre-LBO Debenture Claims, shall not be subject to levy, garnishment, attachment or other legal process by any Holder of a Class U-4 Claim by reason of any subordination rights. Notwithstanding the foregoing two sentences, if and only if the Pre-LBO Condition occurs, the foregoing waiver and injunction shall not apply to any claim or right of Holders of Class U-4 Claims to fully enforce any and all subordination rights as to any post-Filing Date interest claimed by or distributed to Holders of Class U-6 Claims, and such subordination rights shall be fully preserved.

3.20 *Class U-5 Claims: 17% Subordinated Note Claims.* Class U-5 Claims are impaired. Each Holder of a Class U-5 Allowed Claim shall receive, in full satisfaction thereof, the Applicable Consideration allocated on account of such Claim, on or promptly after the Effective Date, unless such Holder and the applicable Debtors shall have agreed to a less favorable treatment of such Claim.

Upon the receipt of the distribution specified in this Section 3.20, all Holders of Class U-5 Claims shall be deemed to have waived any and all subordination rights which they may otherwise have with respect to the distributions to be made pursuant to the Consensual Plan to Holders of Pre-LBO Debenture Claims and shall be permanently enjoined from enforcing, or attempting to enforce, any such subordination rights. Accordingly, distributions to be made pursuant to the Consensual Plan on account of Pre-LBO Debenture Claims shall not be subject to levy, garnishment, attachment or other legal process by any Holder of a Class U-5 Claim by reason of any subordination rights. Notwithstanding the foregoing two sentences, if and only if the Pre-LBO Condition occurs, the foregoing waiver and injunction shall not apply to any claim or right of Holders of Class U-5 Claims to fully enforce any and all subordination rights as to any post-Filing Date interest claimed by or distributed to Holders of Class U-6 Claims, and such subordination rights shall be fully preserved.

3.21 *Class U-6 Claims: Pre-LBO Debenture Claims.* Class U-6 Claims are impaired. Each Holder of a Class U-6 Allowed Claim shall receive, in full satisfaction thereof, (i) the Applicable Consideration allocated on account of such Claim, and (ii) if and only if the Pre-LBO Condition does not occur, in consideration of the full settlement and release of all LBO-Related Issues that have or could be asserted against Released Parties as provided in the Consensual Plan, such Holder's Pro Rata share of shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the Pre-LBO Settlement Equity Amount, on or promptly after the Effective Date, unless such Holder and Walter Industries shall have agreed to a less favorable treatment of such Claim.

3.22 *Class U-7 Claims: Settlement Claims.* Class U-7 Claims are not impaired and shall be treated as follows:

(a) On or promptly after the Effective Date, the Celotex Settlement Fund Recipient shall receive, in full satisfaction of all Class U-7 Claims, consideration described herein equal to the aggregate Allowed Amount of the Class U-7 Claims, of which (i) $375 million shall be satisfied by a combination of Qualified Securities and New Common Stock, in the proportion described in the following sentence, together having an aggregate principal amount (in the case of Qualified Securities) and Veil Piercing New Common Stock Value Per Share (in the case of New Common Stock) equal to $375 million, on or promptly after the Effective Date, and (ii) such additional amount (but not to exceed $15 million) provided for in Section 2(a)(i) of the Second Amended and Restated Veil Piercing Settlement Agreement shall be satisfied by Cash. The aggregate principal amount of Qualified Securities used to satisfy a portion of the Veil Piercing Claims Amount shall be equal to 375/1473 times the aggregate principal amount of Qualified Securities to be distributed to Holders of Subordinated Note Claims and

Settlement Claims under the Consensual Plan; and the excess of $375 million over the portion thereof satisfied by Qualified Securities (which portion shall be equal to the principal amount of such Qualified Securities) shall be satisfied by that number of shares of New Common Stock which is equal to the Veil Piercing New Common Stock Amount.

(b) In the event that the Effective Date occurs after March 31, 1995, the Celotex Settlement Fund Recipient shall also receive an additional distribution consisting of New Senior Notes of the same series and with all of the same terms and provisions as the New Senior Notes issued as Qualified Securities, in a principal amount equal to the product of multiplying the principal amount of Qualified Securities to be received by the Celotex Fund Recipient pursuant to subparagraph (a) above by the Qualified Securities Adjuster; *provided, however*, that if no New Senior Notes are issued as Qualified Securities as a result of the issuance of Replacement Indebtedness under Section 4.19 of the Consensual Plan, such additional distribution shall be made solely in Cash.

(c) The Second Amended and Restated Veil Piercing Settlement Agreement and the Charter provide that all shares of New Common Stock issued to the Celotex Settlement Fund Recipient under the Consensual Plan will be required to be voted by the Celotex Settlement Fund Recipient (or by the beneficiaries of the Celotex Settlement Fund Recipient) in the same proportion as the votes are cast by all other shares of New Common Stock on all matters and for all purposes.

INTERCOMPANY CLAIMS

3.23 *Class I-1 Claims: Intercompany IRB Claims.* Class I-1 Allowed Claims are not impaired. The Holder of the Class I-1 Allowed Claims shall receive Cash in an amount equal to the Allowed Amount of such Claim, on or promptly after the Effective Date, unless the Holder thereof and Sloss shall have agreed to a less favorable treatment of such Claim.

Upon payment in Cash of the Allowed Amount of the Intercompany IRB Claim, Sloss shall assume all unsatisfied obligations with respect to such Intercompany IRB in accordance with its original contractual terms. Upon the making of such payment and such assumption, any acceleration of any obligation and/or instrument or default in connection with such Intercompany IRB shall be rescinded, waived or cured and of no force or effect and the terms of such obligations and/or instrument shall be reinstated as if no such acceleration or default had occurred.

3.24 *Class I-2 Claims: Pre-Filing Date Intercompany Notes Payable Claims.* Class I-2 Claims are not impaired. Pre-Filing Date Intercompany Notes Payable Claims will be reinstated on the books and records of the respective Debtors. There will be no distributions under the Consensual Plan made in respect of any Pre-Filing Date Intercompany Notes Payable Claims, but such Claims may be paid after the Effective Date in the ordinary course of business.

3.25 *Class I-3 Claims: Post-Filing Date Intercompany Notes Payable Claims.* Class I-3 Claims are not impaired. Post-Filing Date Intercompany Notes Payable Claims will be reinstated on the books and records of the respective Debtors. There will be no distributions under the Consensual Plan made in respect of any Post-Filing Date Intercompany Notes Payable Claims, but such Claims may be paid after the Effective Date in the ordinary course of business.

INTERESTS

3.26 *Class E-1 Interests: Old Common Stock Interests in Hillsborough.* Class E-1 Interests are impaired. All shares of Old Common Stock held by Holders of Class E-1 Interests shall be cancelled, annulled and extinguished as of the Effective Date. If Class E-1 accepts the Consensual Plan, each Holder of a Class E-1 Allowed Interest shall receive, in full satisfaction thereof, on or promptly after the Effective Date (except with respect to paragraphs (b) and (c) below), unless such Holder and Walter Industries shall have agreed to a less favorable treatment of such Interest:

a. Such Holder's Pro Rata share of that number of shares of New Common Stock which is the product of multiplying the New Common Stock Residual Amount by a fraction, the numerator of which

is $150 million, and the denominator of which is the New Common Stock Residual Allocation Denominator;

b. As soon as practicable after all Federal Income Tax Claims have been allowed or disallowed by Final Order, such Holder's Pro Rata share of shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the Federal Income Tax Claims Differential; *provided, however,* that if shares of New Common Stock become issuable under this paragraph (b) and at such time shares are held in escrow pursuant to paragraph (c) below, shares issuable under this paragraph (b) shall, first, be issued directly to Holders of Class E-1 Interests up to a number of shares having an aggregate New Common Stock Value Per Share equal to the excess, if any, of (A) $88.7 million over (B) the aggregate New Common Stock Value Per Share of all shares theretofore issued into escrow under paragraph (c) below, and, second, be satisfied by the release from escrow of any remaining shares issuable under this paragraph (b); and *provided, further,* that the aggregate New Common Stock Value Per Share of the shares of New Common Stock issued to Holders of Class E-1 Interests pursuant to this paragraph (b) shall not exceed the amount which remains after subtracting (i) the aggregate New Common Stock Value Per Share of the shares of New Common Stock issued to Holders of Class E-1 Interests (excluding any shares issued to the Escrow Agent but not released to Holders of Class E-1 Interests) pursuant to paragraphs (a) and (c) of this Section 3.26, from (ii) $250,000,000; and

c. As soon as practicable after the Tax Oversight Committee shall have determined that a Veil Piercing Settlement Tax Savings Event has occurred, Walter Industries shall issue and deliver into escrow to an escrow agent selected by Walter Industries and the Bondholder Proponents (the "Escrow Agent") certificates representing shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the Veil Piercing Settlement Tax Savings Amount which results from the Veil Piercing Settlement Tax Savings Event (as such amount is determined by the Tax Oversight Committee); *provided, however,* that in the event that, on or prior to the 160th day following the Effective Date, (i) one or more Veil Piercing Settlement Tax Savings Events shall not have occurred in respect of (and the Tax Oversight Committee shall not have determined) the maximum Veil Piercing Settlement Tax Savings Amount that could result from a good faith claim by the Walter Industries consolidated group, of both (a) a refund with respect to tax years prior to the tax year in which the Effective Date occurs, and (b) a deduction with respect to the tax year in which the Effective Date occurs (collectively, the "Initial Claim"), or (ii) Walter Industries shall not have issued and delivered into escrow certificates representing shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the full amount of such maximum Veil Piercing Settlement Tax Savings Amount, then not later than the 180th day after the Effective Date, Walter Industries shall issue and deliver into escrow certificates representing New Common Stock having an aggregate New Common Stock Value Per Share equal to the sum of (i) that part of the Veil Piercing Settlement Tax Savings Amount arising from the Initial Claim in respect of which shares of New Common Stock had not theretofore been issued into escrow, as such Veil Piercing Settlement Tax Savings Amount (whether or not a Veil Piercing Settlement Tax Savings Event shall previously have occurred) shall be estimated in good faith by the Chief Financial Officer of Walter Industries and set forth in a certificate delivered to the Tax Oversight Committee (and such amount shall be the Veil Piercing Settlement Tax Savings Amount for purposes of this sentence) and (ii) an additional amount equal to the lesser of (A) $13 million and (B) an amount that would cause the limit in clause (i) of the last sentence of this paragraph to be reached. In determining whether and in what amount deposits to the Escrow Agent shall be made hereunder, it shall be assumed that (1) the fair market value of the New Common Stock and Qualified Securities transferred to the Celotex Settlement Fund Recipient shall be equal to their aggregate New Common Stock Value Per Share and aggregate face amount, respectively; and (2) the transfer to the Celotex Settlement Fund Recipient constitutes economic performance under all relevant provisions of the Internal Revenue Code. Notwithstanding and in addition to the foregoing, $11.3 million of New Common Stock (using the New Common Stock Value Per Share) shall be issued directly to Holders of Class E-1 Interests on a Pro Rata basis, at the same time as shares are first issued into escrow. Any such shares of New Common Stock held in escrow shall be voted Pro Rata by the Holders of Class E-1 Interests, and any and all dividends and other distributions made thereon shall promptly be distributed

Pro Rata to Holders of Class E-1 Interests, *provided*, that each such direct or indirect recipient of any such dividend or distribution shall be obligated to promptly return the amount of any dividends and other distributions received by such recipient in respect of shares of New Common Stock that were held in escrow and subsequently cancelled prior to release from escrow as provided below. As soon as practicable after the Tax Oversight Committee determines that a Veil Piercing Settlement Tax Savings Amount that had resulted from a Veil Piercing Settlement Tax Savings Event is no longer subject to adjustment because (i) the statutory period during which assessments (or denial of a refund claim) can be made with respect to such Veil Piercing Settlement Tax Savings Amount has passed, (ii) Walter Industries and the Internal Revenue Service or other relevant taxing authority have entered into a closing or similar agreement governing the years or issues in question with respect to such Veil Piercing Settlement Tax Savings Amount, or (iii) a court decision determining the income tax liability (or the right to such refund) with respect to such Veil Piercing Settlement Tax Savings Amount has been rendered and the time period for the filing of an appeal has passed, the Tax Oversight Committee shall give written notice instructing the Escrow Agent to release from escrow, and to deliver to Holders of Class E-1 Interests, their Pro Rata share of shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the Veil Piercing Settlement Tax Savings Amount that had satisfied the applicable condition set forth in (i), (ii) or (iii) of this sentence. On each date on which the Tax Oversight Committee ascertains whether any of the three conditions enumerated in the previous sentence has been met, or such other date(s) as the Tax Oversight Committee shall determine to be appropriate, the Tax Oversight Committee shall also determine whether (i) any maximum Veil Piercing Settlement Tax Savings Amount, taking into account all deductions then claimed with respect to the distribution under the Second Amended and Restated Veil Piercing Settlement Agreement, the then current status of any audits or challenges to such claimed deductions, and the maximum number of shares permitted to be issued under this paragraph (c) (taking into account shares previously issued or released from escrow pursuant to the provisions of paragraphs (a) and (b) above) and (ii) any maximum amount (not in excess of $13 million) that may be payable pursuant to paragraph (b) above, and reducing the aggregate of (i) and (ii) by the aggregate New Common Stock Value Per Share of all shares of New Common Stock previously released from escrow (the "Maximum") can be calculated, and if so, shall calculate such Maximum. At each such time as the Maximum is less than the aggregate New Common Stock Value Per Share of shares of New Common Stock then held in escrow, then the Tax Oversight Committee shall give written notice to the Escrow Agent (i) to return to Walter Industries for cancellation, and Walter Industries shall cause to be cancelled, shares of New Common Stock having an aggregate New Common Stock Value Per Share equal to the excess of the Maximum over the aggregate New Common Stock Value Per Share of the New Common Stock then held in escrow, and (ii) to return to Walter Industries any and all dividends or other distributions on such shares returned for cancellation. Notwithstanding anything else contained in this paragraph (c), the aggregate New Common Stock Value Per Share of the shares of New Common Stock (i) held in escrow by the Escrow Agent shall at no time exceed $88.7 million, and (ii) issued (directly or out of escrow) to Holders of Class E-1 Interests (together with shares then held in escrow on their behalf) pursuant to this paragraph (c) shall not exceed the amount which remains after subtracting (x) the aggregate New Common Stock Value Per Share of the shares of New Common Stock previously issued to Holders of Class E-1 Interests pursuant to paragraphs (a) and (b) of this Section 3.26, from (y) $250,000,000.

The Company will give KKR prompt written notice of each determination made by the Tax Oversight Committee as required or permitted under Section 3.26 of the Consensual Plan (which notice shall set forth in reasonable detail the basis therefor). If KKR reasonably believes that any such determination is not in compliance with the terms of the Consensual Plan, including without limitation the provisions of Section 4.20, it shall, within forty-five days of its receipt of the applicable notice referred to in the preceding sentence, give prompt written notice to the Tax Oversight Committee thereof (which notice shall set forth in reasonable detail the basis for such belief). To the extent that the Tax Oversight Committee and KKR cannot resolve any disputed matters within fifteen days after the Tax Oversight Committee's receipt of KKR's notice, the remaining previously described disputed matters shall be submitted promptly to a nationally recognized accounting firm which shall be jointly selected by the Tax Oversight Committee and KKR as soon as

practicable (the "Arbitrator"). Each of the Tax Oversight Committee and KKR shall be afforded the opportunity by the Arbitrator to present its case to the Arbitrator at its own expense (in the case of the Tax Oversight Committee, at the expense of Walter Industries) as soon as practicable, and the determination of the Arbitrator on whether the disputed determinations were made in compliance with the terms of the Consensual Plan shall be final and binding on all parties. The Arbitrator shall render its decision as soon as practicable, but in no event later than sixty days after its selection. The fees and expenses of the Arbitrator shall be borne equally by Walter Industries, on the one hand, and the holders of Old Common Stock Interests (on a Pro Rata basis), on the other hand.

If Class E-1 rejects the Consensual Plan, Holders of Class E-1 Interests shall receive no distribution or consideration under the Consensual Plan.

3.27 *Class E-2 Interests: Stock Acquisition Rights in Hillsborough.* Class E-2 Interests are impaired. All Stock Acquisition Rights in Hillsborough shall be cancelled, annulled and extinguished as of the Effective Date. Holders of Class E-2 Interests shall receive or retain no property under the Consensual Plan on account of their Class E-2 Interests.

3.28 *Class SE-1 Interests: Subsidiary Common Stock Interests in Debtors other than Hillsborough.* Class SE-1 Interests are not impaired. Each Holder of a Class SE-1 Interest shall retain its Subsidiary Common Stock and shall not receive any distribution under the Consensual Plan in respect of its Class SE-1 interest.

3.29 *Class SE-2 Interests: Stock Acquisition Rights in Debtors other than Hillsborough.* Class SE-2 Interests are impaired. All Stock Acquisition Rights in Debtors other than Hillsborough shall be cancelled, annulled and extinguished as of the Effective Date. Holders of Class SE-2 Interests shall receive or retain no property under the Consensual Plan on account of their Class SE-2 Interests.

ARTICLE IV

MEANS FOR IMPLEMENTATION OF THE CONSENSUAL PLAN

4.1 *Charter; Common Stock.*

(a) On or prior to the Effective Date, Walter Industries shall adopt and file the Charter with the Secretary of State of the State of Delaware.

(b) All stock distributed pursuant to the Consensual Plan will be New Common Stock. Except as otherwise expressly provided in the Charter and the Consensual Plan, all shares of New Common Stock shall enjoy the same rights, benefits and privileges and shall not bear any restrictive legends on the stock certificates (except for legends prohibiting transfer other than in accordance with the Securities Act).

4.2 *Amendments to Charter.* From and after the Effective Date, amendments to the Charter shall be made in accordance with Delaware law, the terms of the Charter and the Bylaws and the Reorganization Documents.

4.3 *Nonvoting Equity Securities.* The certificates of incorporation of Walter Industries and each of the Debtors shall be amended, on or prior to the Effective Date, to prohibit the issuance by each Debtor of nonvoting capital stock to the extent required by the provisions of Section 1123(a)(6) of the Code.

4.4 *Surrender and Cancellation of Instruments.*

(a) As of the close of business on the Effective Date, the transfer ledgers or registers and any other records determining record ownership maintained by the Bank Agents, the Indenture Trustees, Walter Industries or any Debtor (or any other trustees, transfer agents or registrars which may have been employed in connection therewith) for the Revolving Loans, the Working Capital Loans, the Series B & C Senior Notes, the Grace Street Notes, the Sloss IRB, the Subordinated Notes and all Interests shall be deemed to be closed, and for purposes of the Consensual Plan, there shall be no further changes in the record Holders of any Revolving Loans, Working Capital Loans, Series B & C Senior Notes, Grace

Street Notes, Sloss IRB, Subordinated Notes or Interests on the books of the Bank Agents, the Indenture Trustees, Walter Industries or any Debtor (or any other trustees, transfer agents or registrars which may have been employed in connection therewith). Neither Walter Industries nor any other Debtor shall have any obligation to recognize any transfer of Revolving Credit Loans, Working Capital Loans, Series B & C Senior Notes, Grace Street Notes, Sloss IRB, Subordinated Notes or Interests occurring thereafter, but shall be entitled instead to recognize and deal with, for all purposes under the Consensual Plan, except as otherwise provided herein, only those Persons who were Holders of such loans, notes or Interests as of the close of business on the Effective Date, as reflected on the books of the Bank Agents, the Indenture Trustees, Walter Industries or any Debtor (or such other trustees, transfer agents or registrars), as the case may be.

(b) No Holder of any Revolving Loans, Working Capital Loans, Series B & C Senior Notes, the Sloss IRB, Grace Street Notes, Subordinated Notes or Interests shall be entitled to any rights or distribution under the Consensual Plan unless and until such Holder shall have first surrendered or caused to be surrendered the relevant instrument, if any, held by such Holder to (i) the applicable Bank Agent, (ii) in the case of the Series B & C Senior Notes, the Series B & C Senior Note Trustee, (iii) in the case of the Subordinated Notes, the Disbursing Agent, (iv) in the case of the Grace Street Notes or Interests in the Old Common Stock, Walter Industries, or (v) in the case of the Sloss IRB, Sloss. To the extent any such Holder is not the holder of record of such relevant instrument, such Holder must deliver to the Person specified in the preceding sentence, together with the relevant instrument, documents reasonably satisfactory to Walter Industries evidencing succession of title from the record holder thereof. In the event that any such instrument has been lost, destroyed, stolen or mutilated, the Holder thereof may instead execute and deliver an affidavit of loss and indemnity with respect thereto in a form customarily utilized for such purposes that is reasonably satisfactory to Walter Industries together with, if Walter Industries so requests, a bond in form and substance (including, without limitation, amount) reasonably satisfactory to Walter Industries.

(c) Promptly upon surrender of the relevant instruments referred to in Section 4.4(b), the applicable Bank Agent, Indenture Trustee or Walter Industries shall cancel such instruments, and the applicable Bank Agent or Indenture Trustee shall deliver such cancelled instruments to Walter Industries or otherwise dispose of such instruments in such manner as Walter Industries may request. At the times specified in Article III of the Consensual Plan, (i) the applicable Bank Agent, (ii) the applicable Indenture Trustee, (iii) the Disbursing Agent, (iv) Walter Industries or (v) Sloss, as the case may be, shall make the distributions provided for in Sections 4.5 and 4.6 of the Consensual Plan in accordance with Article III of the Consensual Plan.

(d) Until a Holder of record on the Effective Date or its successor by operation of law surrenders the relevant instruments, if any, evidencing its Revolving Loans, Working Capital Loans, Series B & C Senior Notes, Grace Street Notes, Sloss IRB, Subordinated Notes or Interests, as the case may be, pursuant to Section 4.4(b) hereof, and the debt and/or equity securities to be issued in satisfaction thereof are issued and delivered by or on behalf of the applicable Debtors to such Holder, the Bank Agent, the Indenture Trustee or the Disbursing Agent for the account of such Holder as required by Section 4.5 of the Consensual Plan, such Holder shall have no rights under the debt and/or equity securities to be received by such Holder under the Consensual Plan.

(e) Notwithstanding any other provision of the Consensual Plan, no Holder of a Secured Claim who is to receive a distribution under the Consensual Plan in respect of such Secured Claim shall receive such distribution until such Holder executes and delivers or causes to be executed and delivered any documents (in recordable form if appropriate) and/or surrenders or causes to be surrendered any personal property or other collateral (including shares of capital stock) in its possession or the possession of its agent or trustee or the applicable Bank Agent or Indenture Trustee, necessary to release any Lien(s) and retransfer all collateral held by it in connection with such Secured Claim.

(f) As of the Effective Date, the Revolving Credit Agreement, the Working Capital Agreement, the Sloss IRB Indenture, the Series B & C Senior Note Indenture and each Indenture with respect to the

Subordinated Notes, shall be terminated, deemed null and void and of no further force and effect as to the Debtors. Each Bank Agent or Indenture Trustee, on the one hand, and the Debtors, on the other hand, shall have no further obligations to each other under such Agreements and Indentures, except that the applicable Bank Agent or Indenture Trustee shall be entitled to assert any charging liens to which it may be entitled under such Agreements or Indentures.

4.5 *Distributions to Holders of Allowed Claims and Interests.* Walter Industries shall deliver or cause to be delivered, on behalf of the applicable Debtors, at the applicable times specified in Article III subject to compliance with the provisions of Section 4.4 hereof:

(a) to each Holder of an Administrative Claim, a Priority Claim and an Allowed Claim in Classes S-1, S-2, S-3, S-4, S-5, S-7, S-8, S-9, S-10, U-1, U-2, U-3, and I-1, Cash in accordance with Sections 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, 3.18, and 3.23 respectively, hereof;

(b) to the trustee under the New Senior Note Indenture on behalf of the Holders of Allowed Claims in Class S-6 as to which Claims the Series B & C Senior Note Claim Election was made, a global certificate representing the New Senior Notes to be delivered in accordance with Section 3.11 hereof (unless no New Senior Notes are issued on account of Series B & C Senior Note Claims); *provided, however,* that the Series B & C Senior Note Trustee shall be entitled to require, as a condition to issuance of New Senior Notes (or Cash in an amount based on having made the Series B & C Senior Note Claim Election if no New Senior Notes are issued on account of Series B & C Senior Note Claims) to any Holder of a Series B & C Senior Note Claim that claims entitlement thereto based upon the making of the Series B & C Senior Note Claim Election with respect to such Holders' Series B & C Senior Note Claim, that such Holder make such representations and provide such documentary proof as the Series B & C Senior Note Trustee may reasonably request demonstrating whether such Holder (or a predecessor Holder, as the case may be) timely made the Series B & C Senior Note Claim Election with respect to such Series B & C Senior Note Claim; and in connection therewith, the Series B & C Senior Note Trustee shall use commercially reasonable efforts, which may include the sending of notices and the review and updating of record holder lists and Depository Trust Company participants security position listings, to keep a current list of record holders of Series B & C Senior Note Claims as to which the Series B & C Senior Note Claim Election was timely made, in order to identify such record holders as of the Effective Date;

(c) to the Disbursing Agent on behalf of the Holders of Subordinated Note Claims, instruments (which may include Cash) representing Qualified Securities and certificates representing New Common Stock, to be delivered in accordance with Sections 3.19, 3.20 and 3.21 hereof; *provided, however,* that the Disbursing Agent shall be entitled to require, as a condition to issuance of Qualified Securities and/or New Common Stock to any Holder of a Subordinated Note Claim that claims entitlement thereto based upon the making of or the failure to make the Subordinated Note Claim Election (and the Class U-4 Exchange Election, if applicable) with respect to such Holders' Subordinated Note Claim, that such Holder make such representations and provide such documentary proof as the Disbursing Agent may reasonably request demonstrating whether such Holder (or a predecessor Holder, as the case may be) timely made (or did not make) the Subordinated Note Claim Election (and the Class U-4 Exchange Election, if applicable) with respect to such Subordinated Note Claim; and in connection therewith, the Disbursing Agent shall use commercially reasonable efforts, which may include the sending of notices and the review and updating of record holder lists and Depository Trust Company participants security position listings, to keep a current list of record holders of Subordinated Note Claims as to which the Subordinated Note Claim Election (and the Class U-4 Exchange Election, if applicable) was timely made, in order to identify such record holders as of the Effective Date; *provided, further,* that in the event that the Disbursing Agent is not provided with evidence that would allow it to determine in a commercially reasonable manner whether the Subordinated Note Claim Election had been made with respect to one or more Subordinated Note Claims (each a "Non-Conforming Claim"), then the Disbursing Agent shall treat each such Subordinated Note Claim as though the Subordinated Note Claim Election (and the Class U-4 Exchange Election) had not been made with respect to such

Subordinated Note Claim; *provided, further,* that the amount of Qualified Securities and New Common Stock to be distributed to each Holder of a Subordinated Note Claim (other than Non-Conforming Claims) and to the Celotex Settlement Fund Recipient under the Consensual Plan shall be determined on the assumption that the immediately preceding proviso will not apply to any Subordinated Note Claim, with the result that the amount of the Qualified Securities and New Common Stock to be distributed to any Holder of a Subordinated Note Claim (other than a Non-Conforming Claim) and the Celotex Settlement Fund Recipient will not be altered as a result of the fact that one or more Subordinated Note Claims are Non-Conforming Claims.

(d) to the Series B & C Senior Note Trustee on behalf of the Holders of Allowed Claims in Class S-6, Cash and certificates representing New Common Stock in accordance with Section 3.11 hereof (it being understood that nothing in the Consensual Plan shall in any way modify or prejudice the right of the Series B & C Senior Note Trustee to assert its rights under the Series B & C Senior Note Indenture, including but not limited to Section 6.07 thereof, against the Holders of Class S-6 Claims);

(e) to the Celotex Settlement Fund Recipient, instruments representing Qualified Securities and certificates representing New Common Stock and, if payable pursuant to Section 2(a)(i) of the Second Amended and Restated Veil Piercing Settlement Agreement, Cash, in accordance with Section 3.22 hereof;

(f) to the Holders of Class E-1 Interests, certificates representing New Common Stock, in accordance with Section 3.26 hereof; and

(g) to the Holders of Revolving Credit Bank Claims and Working Capital Bank Claims, certificates representing New Common Stock in accordance with Sections 3.6 and 3.7 hereof.

4.6 *All Distributions to be Made by Walter Industries.*

(a) Walter Industries shall make all payments required to be made by any Debtor under the Consensual Plan on behalf of such Debtor. All Allowed Claims paid by Walter Industries hereunder shall be allocated by Walter Industries to the Debtor for whose benefit such Claims were satisfied in the same manner in which Allowed Claims incurred by the Debtors and paid by Walter Industries in the ordinary course of business are allocated to the Debtors. Intercompany accounts shall be established for any amounts paid by a Debtor on behalf of any other Debtor hereunder on the books and records of such Debtors.

(b) At the option of Walter Industries, except as otherwise required or provided in the Consensual Plan or by any applicable agreement, any Cash payment to be made by or on behalf of any Debtor pursuant to the Consensual Plan may be made by a check drawn on a United States bank mailed by first class mail or by wire transfer.

(c) Payments in respect of all Revolving Credit Bank Claims and Revolving Credit Agents Claims (other than to White & Case) shall be made by wire transfer of immediately available funds to the Revolving Credit Agents, and payments in respect of all Working Capital Bank Claims and Working Capital Agents Claims (other than to White & Case) shall be made by wire transfer of immediately available funds to the Working Capital Agents, in each case for distribution to Holders of Allowed Revolving Credit Bank Claims and Allowed Working Capital Bank Claims, respectively, in accordance with the Consensual Plan. All consideration paid or distributed by Walter Industries on behalf of the Debtors to the Bank Agents on account of Allowed Claims shall be for the account of each Holder of such Allowed Claims, and any Claims filed by individual Holders shall be disallowed as duplicative. Such consideration shall be subject to any rights of the applicable Bank Agent for compensation and reimbursement of its fees and expenses (including the reasonable fees and expenses of its counsel) asserted by such Bank Agent to the extent that such Bank Agent does not receive payment of such fees and expenses from the Debtors.

4.7 *Fractional Shares; New Senior Notes Less Than $1,000.* Fractional shares of New Common Stock will not be issued or distributed; instead, fractional amounts will be rounded down to the nearest whole share,

and the New Common Stock Value Per Share of fractional shares shall be satisfied by Cash. New Senior Notes will not be issued in denominations of less than $1,000, and amounts less than $1,000 that would otherwise be satisfied by New Senior Notes under the Consensual Plan shall be satisfied by an equal amount of Cash.

4.8 *Execution and Delivery of Reorganization Documents.* On or before the Effective Date, each of the Reorganization Documents shall be executed and delivered by each of the parties thereto.

4.9 *New Capital Stock of Debtors.* Except with respect to the issuance of New Common Stock and the cancellation, annulment and extinguishment of the Old Common Stock, in accordance with the terms of the Consensual Plan, no change in the ownership of the capital stock of any of the Debtors shall be required in connection with the implementation of the Consensual Plan.

4.10 *Resolution of Disputed Claims.* All objections to Disputed Claims shall be filed by the Debtors and/or the Bondholders Committee on or before the date established in the Confirmation Order as the last date for filing objections to Disputed Claims. The objecting party shall serve a copy of each such objection upon the Holder of the Disputed Claim to which it pertains.

4.11 *Reserves for Disputed Claims.* On or promptly after the Effective Date, the applicable Debtor shall reserve or cause to be reserved, in an account, segregated in trust, for the account of each Holder of a Disputed Claim (a) (i) that property other than Cash which would otherwise be distributable to such Holder on the Effective Date were such Disputed Claim an Allowed Claim on the Effective Date (*i.e.*, Qualified Securities other than Cash, New Common Stock and/or New Senior Notes), or such other property as the Holder of such Disputed Claim and Walter Industries may agree upon, or (ii) in the case of Cash, such amount as the Court shall order, or (b) that property specified by a Final Order. The property so reserved for the Holder of such Disputed Claim shall be distributed to such Holder, to the extent such Disputed Claim is allowed, only after such Disputed Claim becomes an Allowed Claim. To the extent interest is earned on reserved Cash, such interest shall be held by or on behalf of the applicable Debtor as additional reserved Cash for the account of the Holder for whom such reserved Cash is held; reserved Cash, net of federal and state income taxes and costs and expenses incurred with respect thereto, shall be distributed to the Holder of a Disputed Claim which becomes an Allowed Claim in accordance with Sections 4.5 and 4.13 of the Consensual Plan.

4.12 *Investment of Reserves.* The Debtors shall deposit or invest all Cash held from time to time in reserve consistent with their customary investment policies giving due regard to the Debtors' likely need for such monies to satisfy Disputed Claims.

4.13 *Excess Reserves.* As each Disputed Claim becomes an Allowed Claim, the Debtor from which the reserved property derived shall become vested with all right, title and interest in that property, if any, reserved for, but not distributed to, the Holder of such Disputed Claim (including interest, if any earned thereon) as a consequence of the Allowed Amount of such Disputed Claim having been fixed at less than the amount stated in such Disputed Claim.

4.14 *Unclaimed Property.* Subject to Section 4.16 hereof, in accordance with Sections 347 and 1143 of the Code, any Holder that fails to surrender the instrument, if any, evidencing its Claim or Interest, as provided herein, within two (2) years from and after the Effective Date shall be deemed to have forfeited all rights and Claims and Interests and shall not participate in any distribution on account of the Consensual Plan. Any Cash, including interest earned thereon, that is unclaimed for two (2) years after being held by the applicable Bank Agent or Indenture Trustee or Walter Industries for absence of a mailing address shall be returned to and revested in Walter Industries.

4.15 *Non-Negotiated Checks.* If a Holder of an Allowed Claim fails to negotiate a check issued to such Holder pursuant to the provisions of Article III of the Consensual Plan within one (1) year of the date such check was issued, then the amount of Cash attributable to such check shall be deemed to be unclaimed property in respect of such Holder's Claims and shall be revested in Walter Industries.

4.16 *Returned Distributions.* If a distribution to any Holder of an Allowed Claim or Interest made pursuant to the Consensual Plan is returned to the applicable Bank Agent or Indenture Trustee or to Walter Industries or the Debtors, due to an incorrect or incomplete address for the Holder of such Allowed Claim, then such Bank Agent or Indenture Trustee shall promptly so notify Walter Industries and Walter Industries, on behalf of the Debtors, shall publish a notice once in The Wall Street Journal (National Edition) and The New York Times (National Edition) not later than two (2) years after the date on which such distribution was made listing the name of such Holder and the distribution due such Holder and stating that unless such Holder contacts Walter Industries or the applicable Debtor within sixty (60) days following the date such notice appears in such newspapers and provides Walter Industries or the applicable Debtor with an accurate address, such distribution shall be deemed to be unclaimed property in respect of such Holder's Allowed Claim or Interest and such Holder shall be deemed to have no further entitlement in respect of such distribution and shall not participate in any further distributions under the Consensual Plan.

4.17 *Claims Against Two or More Debtors.* Solely for the purpose of determining the allowed status of such Claims, to the extent any Creditor holds Claims against two or more Debtors arising out of a single debt or liability, whether by virtue of joint-and-several liability, or status as co-obligors or cross-guarantors, such Claims may be Allowed Claims against each such Debtor, subject to all defenses and rights of each such Debtor, but such Creditor shall not be entitled to recover, in the aggregate, more than the amount of such single debt or liability. This section shall not affect any rights of contribution or reimbursement among Debtors or affect any determination of the solvency of any Debtors under the Code.

4.18 *Direction to Parties.* From and after the Effective Date, any Holder and any of the Debtors may apply to the Court for an order directing any of the Debtors or any necessary party, as the case may be, to execute or deliver or to join in the execution or delivery of any instrument required to effect a transfer of property in accordance with the Consensual Plan, and to perform any other act, including the satisfaction of any Lien, that is necessary for the Confirmation of the Consensual Plan, pursuant to Section 1142(b) of the Code.

4.19 *Financing Matters.* Walter Industries and the Bondholder Proponents shall consult and cooperate for purposes of obtaining the Exit Financing and entering into the New Working Capital Facility and the Mid-State Homes Warehouse Credit Facility, in each case as of the Effective Date. The Bondholder Proponents shall determine and fix the amount (subject to the limitation contained in the definition of New Senior Notes contained herein), terms and conditions of, and shall select the underwriters, placement and/or other financing sources with respect to, the Exit Financing, all of which shall be on commercially reasonable terms consistent with then-existent market conditions and be reasonably satisfactory to Walter Industries; *provided,* that Lehman Brothers Inc. shall act as lead manager for, and Merrill Lynch, National Westminster Bank, plc and Nomura Securities shall be given the opportunity to act as co-manager of, any Exit Financing described in clause (i) of the definition thereof and in each case the terms of any such manager or co-manager arrangement shall be on commercially reasonable terms consistent with then-existing market conditions. Subject to the immediately following sentence, Walter Industries shall determine and fix the amount, terms and conditions of, and shall select the lenders and/or other financing sources with respect to, the New Working Capital Facility (subject to the limitation as to amount contained in the definition thereof contained herein) and the Mid-State Homes Warehouse Credit Facility (subject to the limitation as to amount contained in the definition thereof contained herein), all of which shall be on commercially reasonable terms consistent with then-existing market conditions and be reasonably satisfactory to the Bondholder Proponents; *provided,* that Walter Industries shall select Bank of Boston as lead agent or co-agent for the New Working Capital Facility, and National Westminster Bank, plc as lead agent or co-agent for the Mid-State Homes Warehouse Credit Facility, in each case if such lenders are willing to participate in such financings on terms no less favorable to Walter Industries than the terms proposed by any other financial institution and previously agreed to by Walter Industries, and in each case the terms of any such agency or co-agency shall be on commercially reasonable terms consistent with then-existing market conditions; *provided, further,* that the Debtors may incur additional indebtedness (the "Replacement Indebtedness") in an amount sufficient to permit them to pay (and which shall be used to pay) either or both of the following: (i) all (but not less than all) amounts in Cash that would otherwise be satisfied by New Senior Notes issued as Qualified Securities on

the Effective Date, and/or (ii) all (but not less than all) amounts in Cash that would otherwise be satisfied by New Senior Notes issued to Holders of Series B & C Senior Note Claims on the Effective Date, which may include additional indebtedness of up to $50 million in excess of such amount (unless the Debtors and Lehman Brothers Inc. shall agree to a greater amount of indebtedness), the terms and conditions of which indebtedness shall be reasonably satisfactory to the Bondholder Proponents. Notwithstanding the preceding sentence, if either (i) on or prior to January 15, 1995, the Debtors shall not have obtained fully executed and binding written commitment letters from one or more financial institutions for each of the Mid-State Homes Warehouse Credit Facility and the New Working Capital Facility, which commitment letters shall have, as conditions to funding, no conditions other than conditions customary for financings of this size and nature, which shall be consistent with the Exit Financing and which may include a customary material adverse change condition, but which may not include any condition(s) or other provision(s) that require or would require, as a condition to funding, directly or indirectly, the Confirmation Order (as described in Section 10.1(a) of the Consensual Plan) having become a Final Order, whether any such condition(s) or provision(s) relates to issuance of opinions of counsel, officers' certificates or other certificates, any representation, warranty or covenant, or otherwise; or (ii) on or prior to the second Business Day prior to the commencement of the hearing on confirmation of the Consensual Plan, the Debtors shall not have obtained fully executed and binding definitive documents evidencing the New Working Capital Facility and the Mid-State Homes Warehouse Credit Facility, which agreements shall have, as conditions to funding, no conditions other than conditions customary for financings of this size and nature, which shall be consistent with the Exit Financing and which may include a customary material adverse change condition, but which may not include any condition(s) or other provision(s) that require or would require, as a condition to funding, directly or indirectly, the Confirmation Order (as described in Section 10.1(a) of the Consensual Plan) having become a Final Order, whether any such condition(s) or provision(s) relates to issuance of opinions of counsel, officers' certificates or other certificates, any representation, warranty or covenant, or otherwise; (collectively, such documents are referred to herein as the "Definitive Financing Documents"), then, in each case from and after such date, the Bondholder Proponents shall be entitled to negotiate on behalf of and deliver to the Debtors, and the Bondholder Proponents shall exercise responsibility with respect to determining the terms and conditions of, the Mid-State Homes Warehouse Credit Facility and/or the New Working Capital Facility, as the case may be, *provided* that such facilities shall be reasonably satisfactory to Walter Industries but need not be on the terms previously accepted by Walter Industries or the best available terms. Any provisions of this Section 4.19 to the contrary notwithstanding, it is understood that the amount, terms and conditions of any New Senior Notes comprising part of the Exit Financing shall be consistent with the requirements set forth in the definition of "New Senior Notes" in the Consensual Plan and that such New Senior Notes may be secured by a pledge of all of the common stock of the subsidiaries of Walter Industries.

4.20 *Federal Tax Claim Matters.* The Allowed Amount of, and any other terms of any settlement or agreement regarding, Federal Income Tax Claims shall not be agreed to by any Debtor without the prior consent of the Tax Oversight Committee. Any settlement or agreement in respect of Federal Income Tax Claims shall be wholly independent of and separate from any settlement or understanding or agreement in respect of any deduction or other tax benefit that may be realized by any Debtor on account of distributions made under the Second Amended and Restated Veil Piercing Settlement Agreement.

4.21 *"Promptly After the Effective Date."* The term "promptly after the Effective Date" as used in the Consensual Plan shall mean as soon as practicable after the Effective Date, but in no event later than thirty (30) days after the Effective Date or, if later, thirty (30) days after a Claim shall have become an Allowed Claim or thirty (30) days after compliance with Section 4.4 of the Consensual Plan, if applicable.

ARTICLE V

MANAGEMENT OF WALTER INDUSTRIES

5.1 *Corporate Governance; Directors and Officers.* Except where otherwise expressly provided in the Consensual Plan, the corporate governance of the Debtors and the election and appointment of the directors

and officers of the Debtors shall be carried out in accordance with the respective articles of incorporation and bylaws of the Debtors and the laws of the respective states in which the Debtors are incorporated.

5.2 *Reconstitution of Board of Directors of Walter Industries.* On the Effective Date, the Board of Directors of Walter Industries shall be replaced by a New Board of Directors (the "New Board"). The full size of the New Board shall be nine (9) Directors; *provided,* that, until the two Independent Directors are selected as provided below, the New Board may initially be composed of seven (7) directors not including the two Independent Directors. The New Board shall consist of the following: (i) G. Robert Durham, the present President, Chief Executive Officer and Director of Walter Industries; (ii) James W. Walter, the present Chairman of Walter Industries; (iii) Kenneth J. Matlock, the present Executive Vice President, Chief Financial Officer and Director of Walter Industries; (iv) one director designated by KKR; (v) three directors designated by Lehman Brothers Inc.; and (vi) two Independent Directors who shall be selected by current management of Walter Industries from a list of qualified candidates provided by an independent search firm that shall be selected as promptly as practicable by Walter Industries and Lehman Brothers Inc. and retained by Walter Industries, copies of which list shall be provided to the Bondholders Committee contemporaneously with its submission to Walter Industries. If any director initially designated pursuant to the preceding sentence fails for any reason to complete his initial three year term, then substitute director(s) shall be designated for the remainder of such three year term by the entity (or, in the case of Independent Directors, by the procedure) that initially designated the director under this Section 5.2, except that in the case of the three director seats initially held by Messrs. Durham, Walter and Matlock, substitutes shall be senior officers(s) of Walter Industries designated by the remaining directors of Walter Industries then in office. Notwithstanding the foregoing, during the initial three-year term of the New Board, (i) if, at any time after six months after the Effective Date of the Consensual Plan, Lehman Brothers Inc. notifies KKR that it has determined to transfer to KKR the right to appoint one of the three Directors initially to be appointed under the Consensual Plan by Lehman Brothers Inc., KKR shall have the right to (a) compel the director identified by Lehman Brothers Inc. (from among those designated by Lehman Brothers Inc.) to resign his or her position as a member of the New Board and (b) appoint the successor to such directorship pursuant to this Section 5.2; (ii) in the event that at any time after the Effective Date, Lehman Brothers Inc. and its Affiliates fail to have "beneficial" ownership, as that term is used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended ("Beneficial Ownership" and its correlative meaning "Beneficially Owned"), of 8% or more of the outstanding common stock of Walter Industries (or its successor by merger, consolidation or otherwise) (without including any shares held in escrow pursuant to Section 3.26 of the Consensual Plan) (the "Outstanding Common Stock"), then if KKR and its Affiliates have, at such time, Beneficial Ownership of 8% or more of the Outstanding Common Stock, KKR shall have the right to (a) compel the director identified by Lehman Brothers Inc. (from among those designated by Lehman Brothers Inc.) to resign his or her position as a member of the New Board and (b) appoint the successor to such directorship pursuant to this Section 5.2; (iii) in the event that at any time after the Effective Date, if two members of the New Board are KKR designees and if KKR and its Affiliates fail to have Beneficial Ownership of 8% or more of the Outstanding Common Stock, and Lehman Brothers Inc. and its Affiliates have, at such time, Beneficial Ownership of 8% or more of the Outstanding Common Stock, then Lehman Brothers Inc. shall have the right to (a) compel the director identified by KKR (from among those designated by KKR) to resign his or her position as a member of the New Board and (b) appoint the successor to such directorship pursuant to this Section 5.2; and (iv) in the event that at any time after the Effective Date either Lehman Brothers Inc. and its Affiliates, or KKR and its Affiliates, fail to have Beneficial Ownership of 5% or more of the Outstanding Common Stock, then the directors appointed under this Section 5.2 by Lehman Brothers Inc. or by KKR, respectively, shall resign and the remaining directors of Walter Industries shall appoint their successor(s) for the remainder of the initial three-year term; *provided, however,* that notwithstanding the preceding clauses (i) - (iv), a KKR designee shall at all times be on the New Board (until the third anniversary of the Effective Date) if, and so long as, the shares of New Common Stock Beneficially Owned by KKR and its Affiliates, together with shares held in escrow under Section 3.26(c) of the Consensual Plan that would be distributed to KKR or its Affiliates upon release from escrow, shall together equal 5% or more of the then outstanding common stock of Walter Industries (or its successor by merger, consolidation or otherwise) (including as part of the then outstanding common stock, for purposes of this calculation only, any shares held in escrow pursuant to Section 3.26 of the

Consensual Plan). The Debtors shall file with the Court the list of proposed directors (other than Independent Directors) not later than ten (10) days prior to the commencement of the confirmation hearing regarding the Consensual Plan.

5.3 *Management Stock; New Incentive Plans.* As of the Effective Date, a number of shares of New Common Stock equal to 6% of the New Common Stock which would be outstanding on the Effective Date after giving effect to the issuance of shares of New Common Stock pursuant to the Consensual Plan shall be reserved for issuance and delivery, from time to time, in the discretion of the New Board, to the management of Walter Industries and its subsidiaries and certain other employees of Walter Industries and its subsidiaries upon the terms and subject to the conditions of certain incentive agreements and/or plans to be entered into and/or adopted, as the case may be, on or about the Effective Date by Walter Industries in the form agreed to by the New Board. Such incentive agreements and/or plans may also provide for the granting of restricted stock rights, stock appreciation rights or other incentive awards. To the extent, if any, that Court approval is necessary under Section 1129(a) of the Code, such approval shall be deemed to have been granted by entry of a Confirmation Order.

5.4 *Funding of Retiree Health Benefits.* On the Effective Date, Walter Industries and Computer Services shall set aside, in trust(s), funds (not to exceed $7 million in the aggregate) sufficient to provide reasonable assurance (on an actuarial basis in the judgment of the Boards of Directors of Walter Industries and Computer Services) of the continued funding of medical benefits, under the post-retirement medical benefit plans of Walter Industries and Computer Services from time to time in effect, upon the retirement of current employees whose benefits in such plan have vested and to retired employees of Walter Industries and Computer Services following the dissolution of Walter Industries and/or Computer Services, divestiture of Walter Industries' operating subsidiaries or other event which would render Walter Industries and/or Computer Services unable to continue the current funding of such benefits.

5.5 *Effective Date Bonus Awards.* No later than 20 days prior to the commencement of the confirmation hearing on the Consensual Plan, the Board of Directors of Walter Industries may, in its sole discretion, prepare a schedule of Cash bonuses (and shall transmit a copy of such schedule to the Bondholders Committee and file the same with the Court) to be paid on or after the Effective Date to the management of Walter Industries and its subsidiaries who are employed by Walter Industries or such subsidiaries on the Effective Date, *provided,* that the aggregate amount of such bonuses shall not exceed $5 million. To the extent that Court approval is necessary under Section 1129(a) of the Code, such approval shall be deemed to have been granted by entry of a Confirmation Order.

ARTICLE VI

RELEASES AND INDEMNIFICATION

6.1 *Release by Holders of Claims or Interests.* As of the Effective Date, Holders of any Claims or Interests (and all trustees and/or agents on behalf of such Holders): (i) that receive (or on whose behalf the Celotex Settlement Fund Recipient receives) any property or New Common Stock to be distributed to or for the benefit of a Holder of any Claims, Demands or Interests pursuant to Article III of the Consensual Plan and in consideration therefor; (ii) in a Class that accepts or is deemed to have accepted the Consensual Plan; or (iii) that marked a box on the ballot sent to such Holder for purposes of voting whether to accept or reject the Creditors' Plan, indicating such Holder's agreement to grant the release provided in Section 6.1 of the Creditors' Plan shall be deemed to have released, to the extent permitted by the Court, the Debtors, the Existing Equityholders, the Proponents, the KKR Parties, the Apollo Parties, the Lehman Parties, the other Parties (as that term is used in the Second Amended and Restated Veil Piercing Agreement) to the Second Amended and Restated Veil Piercing Settlement Agreement, the Holders of Revolving Credit Bank Claims, the Holders of Working Capital Bank Claims, the Revolving Credit Agents, the Working Capital Agents, the Holders of Series B & C Senior Note Claims, the Holders of Subordinated Note Claims, the Series B & C Senior Note Trustee, the Subordinated Note Trustees, the members of the Official Committees, the members of the Ad Hoc Committee of Pre-LBO Bondholders and the respective present and former parents, subsidiaries, Affiliates, directors, officers, partners (general and limited), shareholders (record and beneficial),

employees, agents, advisors, predecessors in interest and representatives of all of the foregoing, in each case in any and all of such released Person's aforementioned capacities (including, without limitation, with respect to each of the Bondholder Proponents and the Series B & C Senior Note Trustee, any action or inaction related to or set forth in the definition of Qualified Securities or New Senior Notes herein or in the description of "Financing Matters" in Section 4.19 hereof); provided, however, that the foregoing release shall not include The Celotex Corporation and its subsidiaries (in any capacity), but shall include the respective present and former shareholders (record and beneficial), directors, officers, partners (general and limited), employees, agents, advisors and representatives of The Celotex Corporation and its subsidiaries (but excluding The Celotex Corporation and its subsidiaries) (collectively, the Persons released in this Section 6.1 are referred to herein as the "Released Parties"), of and from any and all Claims, claims, obligations, rights, causes of action, Demands and liabilities (other than the right to enforce the Debtors' obligations under the Consensual Plan) which such Holder may be entitled to assert, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, based in whole or in part upon any act, omission or other occurrence taking place from the beginning of time to and including the Effective Date in any way relating to the Debtors, the Chapter 11 Cases or the Consensual Plan (including, without limitation, any of the Veil Piercing-Related Issues or LBO-Related Issues).

6.2 *Release By Debtors.* (a) As of the Effective Date, the Debtors shall be deemed to have waived and released any and all claims, obligations, rights, causes of action and liabilities, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, which are based in whole or in part upon any act, omission or other occurrence taking place on or prior to the Effective Date and which may be asserted by or on behalf of any of the Debtors, against any of the Released Parties, in any of their respective capacities, and (b) on the Effective Date, the Debtors, for good and valuable consideration, the adequacy of which is hereby confirmed, shall be deemed to have waived and released any and all claims, obligations, rights, causes of action and liabilities (including, without limitation, causes of action arising under Sections 544, 547 and 548 of the Code, but excluding any rights of the Debtors to enforce the Consensual Plan), whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, which are based in whole or in part upon any act, omission or other occurrence taking place on or prior to the Effective Date and which may be asserted by or on behalf of any of the Debtors against any Released Party; *provided, however,* that the foregoing release shall not apply to claims, obligations, rights, causes of action and liabilities arising in the ordinary course of the Debtors' business in connection with the conduct thereof.

6.3 *Dismissal of Lawsuits and Related Releases.* Without limiting the scope or the generality of the foregoing Sections 6.1 and 6.2, and without limiting any rights against Persons that are not Released Parties, (i) the Debtors and the other named parties in such lawsuits shall cause to be dismissed with prejudice, as to all Released Parties on the Effective Date, *Mellon Bank, N.A. and Bank of New York v. Kohlberg Kravis Roberts & Co., et al*, Adversary Proceeding No. 94-17 pending before the Court; (ii) the Debtors, KKR, and all other parties named as plaintiffs in Hillsborough Holdings Corp., et al., v. Leon Black, et al., Adversary Proceeding No. 94-562, pending before the Court, shall cause said adversary proceeding to be dismissed with prejudice as to all defendants therein on the Effective Date; and (iii) the Debtors and the KKR Parties shall deliver to Apollo and Lehman Brothers Inc., for the benefit of the Apollo Parties and the Lehman Parties, respectively, and Apollo and Lehman Brothers Inc., for the Apollo Parties and the Lehman Parties, respectively, shall deliver to Walter Industries, for the benefit of the Debtors and the KKR Parties, executed releases in substantially the form of Exhibit 7 hereto. Said releases shall not apply to the right to enforce the Debtors' obligations and those of any other person or entity under the Consensual Plan, and shall not affect any party's right to receive distributions under the Consensual Plan.

6.4 *Indemnification.* The articles of incorporation and/or the bylaws of each of the Debtors shall provide that each of the Debtors shall jointly and severally indemnify, hold harmless and reimburse its present and former officers and directors and such other natural Persons as are described therein from and against any and all losses, claims, damages, fees, expenses, liabilities and actions pursuant to the terms of such indemnity. All rights of Persons indemnified pursuant to contract, corporate charter or bylaws, or applicable law by any one or more of the Debtors as of the Filing Date, or at any time during these Chapter 11 Cases, shall survive Confirmation of the Consensual Plan, shall not be discharged pursuant to Section 1141 of the Code, and shall

not be subject to disallowance due to the contingent or unliquidated nature of such right under Section 502(e)(1) of the Code. However, any such right of indemnification shall be enforceable only to the extent that it is valid and enforceable under applicable nonbankruptcy law, and shall be subject to any and all defenses available under applicable nonbankruptcy law. The failure to object to the allowance of any such right (or claim) for indemnity shall in no way preclude, bar or otherwise affect any defense or other challenge to any such indemnity under applicable nonbankruptcy law. The Debtors may confirm any such contractual indemnification by contract, resolution or otherwise as they may deem appropriate, in accordance with applicable nonbankruptcy law.

ARTICLE VII

ENTERPRISE VALUE

7.1 *Enterprise Value.* Except as expressly provided in the definition of New Common Stock Value and in Section 3.22 herein, the Negotiated Enterprise Value shall be used for all purposes of the Consensual Plan relating to the allocation or value of New Common Stock, and shall not be increased or decreased at any time or for any reason, including, without limitation, any change in the business, results of operations, condition (financial or otherwise), properties, Assets or prospects of any Debtor.

ARTICLE VIII

EXECUTORY CONTRACTS

8.1 *Assumption of Executory Contracts.* All Executory Contracts that have not been rejected before ninety (90) days after the Effective Date shall be deemed assumed as of the Confirmation Date; *provided, however,* that the Proponents reserve the right to assume or reject after the 90th day after the Effective Date any Executory Contract which is subject to a motion pending as of such 90th day to assume or reject such Executory Contract. The Executory Contracts listed on Exhibit 6 attached hereto are expressly rejected under the Consensual Plan, without admitting that any of the items listed on Exhibit 6 is an Executory Contract, and without admitting any liability as a result of such rejection or otherwise.

8.2 *Cure of Defaults.* As to any Executory Contract assumed pursuant to this Consensual Plan, Walter Industries and/or the applicable Debtor, as the case may be, shall, pursuant to the provisions of Section 1123(a)(5)(G) of the Code, cure or demonstrate the ability to cure all defaults (except those specified in Section 365(b)(2) of the Code) existing under and pursuant to such Executory Contract by paying or demonstrating the ability to pay the amount, if any, of such Executory Contract Claim. Payment of any such Executory Contract Claim shall be in full satisfaction, release, discharge and cure of all such defaults (including any other Claims Filed by any such party as a result of such existing defaults); *provided, however,* that if any Person Files, within thirty (30) days of the Filing of a proof of claim with respect to any Executory Contract Claim, an objection in writing to the amount set forth, the Court shall determine the amount actually due and owing in respect of the defaults or shall approve the settlement of any such Executory Contract Claim.

8.3 *Claims for Damages.* Each Person that is a party to an Executory Contract rejected pursuant to this Article VIII shall be entitled to File, not later than thirty (30) days after the issuance of a Final Order of the Court authorizing such rejection, a proof of claim for damages alleged to have arisen from the rejection of the Executory Contract to which such Person is a party, or be forever barred. Objections to any such proof of claim shall be Filed not later than sixty (60) days after such proof of claim is Filed, and the Court shall determine any such objections. Notwithstanding the foregoing, no Person that is a party to any Executory Contract listed on Exhibit 6 to the Consensual Plan shall have any Claim (whether an Administrative Claim, an Other Unsecured Claim or otherwise) or any claim for damages or any other relief against any Debtor on account of any such Executory Contract or the rejection thereof, and any and all such Claims or claims are forever released by all such Persons, discharged and enjoined and no distribution shall be made thereon; *provided,* that this sentence shall not apply to Claims or claims for directors' fees or expenses, or business expenses incurred by officers or other employees of the Debtors.

8.4 *Classification of Claims.* Unsecured Claims arising out of the rejection of Executory Contracts shall be Class U-3 Claims (Other Unsecured Claims).

ARTICLE IX

RETENTION OF JURISDICTION

9.1 *Jurisdiction of Court.* Notwithstanding the entry of the Confirmation Order or the Effective Date having occurred, the Court will retain jurisdiction of the Chapter 11 Cases for the following purposes:

(a) To hear and determine any and all pending applications for the rejection and disaffirmance, assumption or assignment of Executory Contracts, any objections to Claims resulting therefrom, and the allowance of any Claims resulting therefrom;

(b) To hear and determine any and all applications, adversary proceedings, contested matters and other litigated matters pending on the Confirmation Date;

(c) To ensure that the distributions to Holders of Allowed Claims and Interests are accomplished as provided herein and in the Reorganization Documents;

(d) To hear and determine any objections to Claims filed, before or after Confirmation; to allow or disallow, in whole or in part, any Disputed Claim, and to hear and determine other issues presented by or arising under the Consensual Plan;

(e) To enter and implement such orders as may be appropriate in the event implementation of the Confirmation Order or Consensual Plan is for any reason stayed, or the Confirmation Order is reversed, revoked, modified or vacated;

(f) To hear and determine all applications for compensation of professionals and reimbursement of expenses under Sections 330, 331, 503(b) or 1129(a)(4) of the Code;

(g) To hear the Proponents' application, if any, to modify the Consensual Plan in accordance with Section 1127 of the Code (after Confirmation, any Proponent may also, so long as it does not adversely affect the interest of Holders, institute proceedings in the Court to remedy any defect or omission or reconcile any inconsistencies in the Consensual Plan, Disclosure Statement or Confirmation Order, in such manner as may be necessary to carry out the purposes and effects of the Consensual Plan);

(h) To enforce and to hear and determine disputes arising in connection with the Consensual Plan or its implementation, including disputes among Holders and disputes arising under the Reorganization Documents, the Second Amended and Restated Veil Piercing Settlement Agreement, the Pre-LBO Bondholders Settlement Agreement, or any other agreements, documents or instruments executed in connection with the Consensual Plan;

(i) To construe and to take any action to enforce the Consensual Plan, Reorganization Documents and Confirmation Order, and issue such orders as may be necessary for the implementation, execution and consummation of the Consensual Plan and the execution, delivery and performance of the Reorganization Documents;

(j) To construe and to take any action to enforce the Second Amended and Restated Veil Piercing Settlement Agreement and the Pre-LBO Bondholders Settlement Agreement, including without limitation, the enforcement of the settlement injunction and the releases contained or provided for therein, and issue such orders as may be necessary for the implementation of the Second Amended and Restated Veil Piercing Settlement Agreement and the Pre-LBO Bondholders Settlement Agreement;

(k) To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(l) Except as provided in Section 3.26(c) herein with respect to the Arbitrator, to hear and determine any motions, contested matters or adversary proceedings involving taxes, tax refunds, tax

attributes and tax benefits and similar or related matters, with respect to the Debtors or their estates arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Cases;

(m) To hear and determine any other matters related hereto and not inconsistent with Chapter 11 of the Code; and

(n) To enter a final decree closing the Chapter 11 Cases.

ARTICLE X

CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS

10.1 *Conditions to Confirmation.* Confirmation of this Consensual Plan shall not occur unless and until each of the following conditions shall have been satisfied or have been waived by all of the Proponents (or, if specified, solely by certain of the Proponents):

(a) The Court shall have entered the Confirmation Order on or prior to March 3, 1995, which order shall, among other things, include (i) the approval of the Veil Piercing Settlement and the Second Amended and Restated Veil Piercing Settlement Agreement and (ii) a finding that the filing of the Consensual Plan did not constitute a breach of the Pre-LBO Bondholders Settlement Agreement (the March 3, 1995 date may be extended to March 31, 1995 by either the Debtors or the Bondholder Proponents, and such date may be further extended solely by the Bondholder Proponents, and the finding referred to in clause (ii) above may be waived solely by the Bondholder Proponents); and

(b) the Reorganization Documents (other than the New Senior Note Indenture, the instrument(s) evidencing the Qualified Securities, the New Common Stock Registration Rights Agreement and the Qualified Securities Registration Rights Agreement) shall have been executed (this condition may be waived solely by the Bondholder Proponents).

10.2 *Conditions to Effectiveness.* Notwithstanding any other provision of the Consensual Plan or the Confirmation Order, the Effective Date of the Consensual Plan shall not occur unless and until each of the following conditions shall have been satisfied or have been waived by all of the Proponents (or, if specified, solely by certain of the Proponents):

(a) The Confirmation Order shall have become a Final Order (this condition may be waived solely by the Bondholder Proponents);

(b) All conditions precedent set forth in the Second Amended and Restated Veil Piercing Settlement Agreement and all procedures set forth in Section 4(d)(ii)(A)-(J) of the Second Amended and Restated Veil Piercing Settlement Agreement shall have been complied with or waived (as provided therein); it being understood that none of the procedures set forth in such Section 4(d)(ii)(A)-(J) may be waived or modified except with the written consent of the Debtors;

(c) Qualified Securities having an aggregate principal amount of not less than the sum of: (i) $530 million; (ii) the net proceeds of the financing(s) described in clause (i) of the definition of "Exit Financing" contained in the Consensual Plan in excess of $900 million, if any, up to but not in excess of $25 million, and (iii) the amount, if any, by which the Replacement Indebtedness exceeds the amount of Cash necessary to pay all Claims that would otherwise have been satisfied by New Senior Notes issued as Qualified Securities, shall be available for distribution to Classes U-4, U-5, U-6 and U-7 under the Consensual Plan;

(d) The Reorganization Documents shall have been executed and delivered by all of the parties thereto and the Court shall have entered a Final Order (which may be the Confirmation Order) approving the Reorganization Documents (this condition may be waived solely by the Bondholder Proponents);

(e) Mid-State Homes shall have obtained the Mid-State Homes Warehouse Credit Facility and the Debtors shall have obtained the New Working Capital Facility;

(f) The Charter shall have been filed with the Secretary of State of the State of Delaware;

(g) The adversary proceeding described in subparagraph (ii) of Section 6.3 shall have been dismissed with prejudice, and the releases described in subparagraph (iii) of Section 6.3 shall have been delivered;

(h) The New Senior Note Indenture shall be qualified under the Trust Indenture Act of 1939; and

(i) The Effective Date shall occur not later than March 31, 1995 (this date may be extended solely by the Bondholder Proponents).

ARTICLE XI

CRAM DOWN

11.1 *Cram Down.* If all of the applicable requirements for Confirmation of the Consensual Plan are met as set forth in Sections 1129(a)(1) through (13) of the Code except subsection (8) thereof, the Proponents hereby request that the Court confirm the Consensual Plan pursuant to Section 1129(b) of the Code, notwithstanding the requirements of subsection (8) thereof, on the basis that, among other things, the Consensual Plan is fair and equitable, and does not discriminate unfairly, with respect to each nonaccepting impaired Class.

ARTICLE XII

EFFECTS OF PLAN CONFIRMATION; TITLE TO PROPERTY AND DISCHARGE

12.1 *Vesting of Property.* Except as otherwise provided in the Consensual Plan or the Confirmation Order, on the Effective Date, all Assets of the estates of each of the Debtors (including, without limitation, any and all claims and causes of action against Persons that are not Released Parties) shall vest in such Debtors, and subsequently will be retained by such entities subject to the provisions of the Consensual Plan, the Confirmation Order and the Reorganization Documents and shall be free and clear of all Claims and Interests of all Holders, except the obligations to perform according to the Consensual Plan, the Confirmation Order, the Reorganization Documents and the Liens and security interests granted pursuant to the Consensual Plan or any of the Reorganization Documents. Except as otherwise provided in the Consensual Plan or the Confirmation Order, on the Effective Date and thereafter, each of the Debtors may operate its business free of any restrictions imposed by the Code.

12.2 *Discharge.* The issuance of the Confirmation Order shall (a) operate as a discharge, pursuant to Section 1141(d)(1) of the Code, effective as of the Effective Date, of any and all debts (as such term is defined in Section 101(12) of the Code) of or Claims against one or more of the Debtors that arose at any time before the Effective Date, including, but not limited to, all principal and all interest, whether accrued before, on or after the Filing Date. Without limiting the generality of the foregoing, on the Effective Date, the Debtors shall be discharged from any debt that arose before the Effective Date, and any debt of a kind specified in Section 502(g), 502(h) or 502(i) of the Code, to the full extent permitted by Section 1141(d)(1)(A) of the Code. Nothing in the Consensual Plan shall be deemed to waive, limit or restrict in any way the discharge granted upon Confirmation of the Consensual Plan pursuant to Section 1141 of the Code and effective as of the Effective Date.

12.3 *Injunction.* In order to preserve and promote the settlements contemplated by and provided for in the Consensual Plan, effective on the Effective Date, all Persons who have held, hold or may hold a Demand, debt or Claim, or who have held, hold or may hold Interests, shall be permanently enjoined, to the fullest extent permitted by law, from taking any of the following actions against or affecting the Released Parties or the Assets (or assets or other property) of the Released Parties with respect to such Claims, Demands or Interests (other than actions brought to enforce any rights or obligations under the Consensual Plan or any of the Reorganization Documents or appeals, if any, from the Confirmation Order): (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against the

Released Parties or the Assets (or assets or other property) of the Released Parties or any direct or indirect successor in interest to any of the Released Parties, or any Assets (or assets or other property) of any such successor; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree or order against the Released Parties or the Assets (or assets or other property) of the Released Parties or any direct or indirect successor in interest to any of the Released Parties or any Assets (or assets or other property) of any such transferee or successor; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Released Parties or the Assets (or assets or other property) of the Released Parties or any direct or indirect successor in interest to any of the Released Parties, or any Assets (or assets or other property) of any such transferee or successor other than as contemplated by the Consensual Plan or any of the Reorganization Documents; (iv) asserting any set-off, right of subrogation or recoupment of any kind, directly or indirectly against any obligation due the Released Parties or the Assets (or assets or other property) of the Released Parties, or any direct or indirect transferee of any Assets (or assets or other property) of, or successor in interest to, any of the Released Parties; and (v) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Consensual Plan or any of the Reorganization Documents.

12.4 *Effectiveness and Enforcement of Settlement Agreements.* The terms of the Second Amended and Restated Veil Piercing Settlement Agreement and the settlements contained in the Consensual Plan with respect to the LBO-Related Issues, the Other Unsecured Claims, the Series B & C Senior Note Claims, the Working Capital Bank Claims and the Revolving Credit Bank Claims shall be incorporated by reference in and made an inextricable and essential part of the Consensual Plan in their entirety, and shall be binding and enforceable by the Court against the Debtors, all of the respective parties thereto and all Holders of Settlement Claims.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 *Revocation.* The Proponents reserve the right, all of them acting jointly, to revoke and withdraw the Consensual Plan prior to the Confirmation Date. If the Proponents revoke or withdraw the Consensual Plan, then the Consensual Plan shall be null and void and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Proponents or any other Person or to prejudice in any manner the rights of any of the Proponents or any Person in any further proceedings involving the Proponents.

13.2 *Amendments.* This Consensual Plan may be amended, modified or supplemented by (a) all of the Proponents acting jointly or (b) the Bondholder Proponents and the Debtors or (c) in the event that the Court declines to confirm the Consensual Plan, any one or more of the Proponents other than as provided in the preceding clauses (a) and (b) (provided that, in the case of this clause (c), such amendment shall bind only the Proponent(s) filing such amendment, modification or supplement), in each case before or after the Confirmation Date, and by the Bondholder Proponents and the Debtors (all of them acting jointly) after the Effective Date, in each case in the manner provided for by Section 1127 of the Code or as otherwise permitted by law. Notwithstanding the foregoing or any other provision hereof, nothing in this Consensual Plan shall in any way prohibit or restrict any Proponent from filing a plan of reorganization on its own behalf.

13.3 *No Consolidation.* The Chapter 11 Cases shall not be substantively consolidated and (i) the legal, equitable, and contractual rights relating to intercompany Claims between the Debtors shall be unaltered; (ii) the Assets and liabilities of the Debtors will not be merged or treated as though they were merged; (iii) any obligation of any Debtor will be deemed to be an obligation of such Debtor only and any Claim which is Filed in connection with any such obligation will be an Allowed Claim only against the Debtor against which such Claim has been Filed; (iv) each and every Claim which is Filed in the Chapter 11 Case of any Debtor will be deemed Filed only against the Debtor with respect to which such Claim has been Filed; and (v) for purposes of determining the availability of the right of recoupment or set-off under Section 553 of the Code, the Debtors shall not be treated as one entity so that, subject to the other provisions of Section 553 of the Code, debts due to any of the Debtors may not be recouped or set-off against the debts of any of the

other Debtors. Notwithstanding the foregoing, on the Effective Date, and in accordance with the terms of the Consensual Plan, all Allowed Claims based upon guarantees of collection, payment or performance made by any of the Debtors with respect to the obligations of another Debtor shall be discharged and released.

13.4 *Provisions as to Interest.* Except as expressly stated in this Consensual Plan, no interest, penalty or late charge is to be allowed on any Claim subsequent to the Filing Date; and except as expressly stated in this Consensual Plan, post-Filing Date interest allowed on any Claim shall be simple interest and not compounded for any period.

13.5 *Exhibits.* The Exhibits attached to the Consensual Plan are incorporated by reference in and made an inextricable and essential part of the Consensual Plan in their entirety.

13.6 *No Attorneys' Fees.* No attorneys' fees will be paid by any Debtor with respect to any Claim except as specified herein, in any of the Reorganization Documents or as allowed by a Final Order of the Court.

13.7 *Post Confirmation Effect of Evidences of Claims or Interests.* Except as otherwise provided in the Consensual Plan, effective upon the Effective Date, all evidences of Claims or Interests shall represent only the right to participate in the distributions, if any, contemplated by the Consensual Plan.

13.8 *Official Committees.* The Official Committees shall continue in existence until the commencement of distributions to Holders of Subordinated Note Claims under the Consensual Plan, for the principal purpose of overseeing the implementation of the Consensual Plan. The members of the Official Committees shall serve without compensation, but shall be reimbursed for all expenses incurred in their capacity as members of the Official Committees.

13.9 *Construction.* The rules of construction set forth in Section 102 of the Code shall apply to the construction of the Consensual Plan.

13.10 *Time.* In computing any period of time prescribed or allowed by this Consensual Plan, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day or, when the act to be done is the Filing of a paper in court, a day on which weather or other conditions have made the clerk's office inaccessible, in which event the period runs until the end of the next day which is not one of the aforementioned days.

13.11 *Tax Allocation of Consideration Paid to Holders.* In the case of Holders of Allowed Claims who receive consideration in respect of the Allowed Amount of such Claims, other than, or in addition to, Cash, the consideration received shall be allocated and applied to such Claims in the following order: any New Common Stock, any New Senior Notes or Qualified Securities (other than Cash), and any Cash shall, in that order, be applied to reduce, satisfy and discharge first the principal amount of the Allowed Claim, then any pre-Filing Date interest included in such Allowed Claim and last any post-Filing Date interest included in such Claim.

13.12 *Governing Law.* Except to the extent the Code or Bankruptcy Rules are applicable, the rights and obligations arising under this Consensual Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

13.13 *Headings.* The headings of the Articles, paragraphs, and sections of this Consensual Plan are inserted for convenience only and shall not affect the interpretation hereof.

13.14 *Notice of Effectiveness.* Upon the satisfaction of all of the conditions to the Effectiveness of the Consensual Plan, Walter Industries shall give notice thereof to (a) the Holders of Revolving Credit Bank Claims, c/o Chemical Bank, 270 Park Avenue, New York, New York 10017, Attention: Elizabeth Kelley, (b) the Holders of Working Capital Bank Claims, c/o Bankers Trust Company, 280 Park Avenue, 19 West, New York, New York 10017, Attention: Susan Forst, (c) the Holders of Series B & C Senior Note Claims, c/o LaSalle National Bank, 135 South LaSalle Street, Chicago, Illinois 60603, Attention: Lars Anderson,

(d) the Creditors' Committee, c/o Jones, Day, Reavis & Pogue, 599 Lexington Avenue, New York, New York 10016, Attention: Marc Kirschner, Esq. and (e) the Bondholders Committee c/o Stroock & Stroock & Lavan, 7 Hanover Square, New York, New York 10004, Attention: Daniel Golden, Esq., and shall publish notice thereof once in The Wall Street Journal (National Edition) and The New York Times (National Edition).

13.15 *Notices.* All notices, requests or demands in connection with this Consensual Plan shall be in writing and shall be mailed by registered or certified mail, return receipt requested to:

Bondholders Committee
c/o Stroock & Stroock & Lavan
7 Hanover Square
New York, New York 10004
Attention: Daniel H. Golden, Esq.
and
Official Committee of
General Unsecured Creditors
c/o Jones, Day, Reavis & Pogue
599 Lexington Avenue
New York, New York 10022
Attention: Marc S. Kirschner, Esq.
and
Lehman Brothers Inc.
American Express Tower
World Financial Center
18th Floor
New York, New York 10285-0018
Attention: Mr. Kenneth A. Buckfire
and
Lion Advisors, L.P.
1301 Avenue of the Americas
38th Floor
New York, New York 10019
Attention: Mr. Marc J. Rowan
Mr. Robert H. Falk
and
Ad Hoc Committee of Pre-LBO Bondholders
c/o Marcus Montgomery Wolfson P.C.
53 Wall Street
New York, New York 10005
Attention: Peter D. Wolfson, Esq.
Sara L. Chenetz, Esq.
and
Walter Industries, Inc.
1500 N. Dale Mabry Hwy.
Tampa, Florida 33607
Attention: Chief Financial Officer
and
Kohlberg Kravis Roberts & Co.
9 West 57th Street, 42nd Floor
New York, New York 10019

With copies to:

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064
Attention: Robert D. Drain, Esq.
and
Akin, Gump, Strauss, Hauer & Feld, L.L.P.
65 East 55th Street, 33rd Floor
New York, New York 10022
Attention: Ellen R. Werther, Esq.
Steven M. Pesner, P.C.
and
Kaye, Scholer, Fierman, Hays & Handler
425 Park Avenue
New York, New York 10022
Attention: Andrew A. Kress, Esq.
and
Stichter, Riedel, Blain & Prosser, P.A.
110 East Madison Street - Suite 200
Tampa, Florida 33602
Attention: Don M. Stichter, Esq.
and
Carlton, Fields, Ward, Emmanuel, Smith
& Cutler, P.A.
One Harbour Place
Tampa, Florida 33602
Attention: Leonard H. Gilbert, Esq.

13.16 *Not Admissible.* This Consensual Plan shall not be admissible in any cases or proceedings involving the Proponents or any of them for any purpose (other than for enforcing its terms), nor shall it be deemed as an admission or waiver of any Proponent for any purpose.

13.17 *Successors and Assigns.* The rights, benefits and obligations of any Person named or referred to in the Consensual Plan will be binding upon, and will inure to the benefit of, the heir, executor, administrator, representative, successor or assign of such Person.

Dated: December 9, 1994
New York, New York

OFFICIAL BONDHOLDERS COMMITTEE OF HILLSBOROUGH HOLDINGS CORPORATION, ET AL.

By: /s/ DANIEL H. GOLDEN
Daniel H. Golden, Esq.

OFFICIAL COMMITTEE OF GENERAL UNSECURED CREDITORS OF HILLSBOROUGH HOLDINGS CORPORATION, ET AL.

By: /s/ MARC S. KIRSCHNER
Marc S. Kirschner, Esq.

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

By: /s/ ROBERT DRAIN
Robert Drain
1285 Avenue of the Americas
New York, New York 10019-6064
(212) 373-3236
For Lehman Brothers Inc.

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

By: /s/ STEVEN M. PESNER
Steven M. Pesner, P.C.
Ellen R. Werther
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For Apollo

MARCUS MONTGOMERY WOLFSON P.C.

By: /s/ PETER WOLFSON
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For Ad Hoc Committee of Pre-LBO Bondholders

KAYE, SCHOLER, FIERMAN, HAYS & HANDLER

By: /s/ ANDREW A. KRESS

Andrew A. Kress
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For: HILLSBOROUGH HOLDINGS CORPORATION,
BEST INSURORS, INC.,
BEST INSURORS OF MISSISSIPPI, INC.,
COAST TO COAST ADVERTISING, INC.,
COMPUTER HOLDINGS CORPORATION,
DIXIE BUILDING SUPPLIES, INC.,
HAMER HOLDINGS CORPORATION,
HAMER PROPERTIES, INC.,
HOMES HOLDINGS CORPORATION,
JIM WALTER COMPUTER SERVICES, INC.,
JIM WALTER HOMES, INC.,
JIM WALTER INSURANCE SERVICES, INC.,
JIM WALTER RESOURCES, INC.,
JIM WALTER WINDOW COMPONENTS, INC.,
JW ALUMINUM COMPANY,
JW RESOURCES, INC.,
JW RESOURCES HOLDINGS CORPORATION,
J.W.I. HOLDINGS CORPORATION,
J.W. WALTER, INC.,
JW WINDOW COMPONENTS, INC.,
LAND HOLDINGS CORPORATION,
MID-STATE HOMES, INC.,
MID-STATE HOLDINGS CORPORATION,
RAILROAD HOLDINGS CORPORATION,
SLOSS INDUSTRIES CORPORATION,
SOUTHERN PRECISION CORPORATION,
UNITED LAND CORPORATION,
UNITED STATES PIPE AND FOUNDRY COMPANY,
U.S. PIPE REALTY, INC.,
VESTAL MANUFACTURING COMPANY,
WALTER HOME IMPROVEMENT, INC.,
WALTER INDUSTRIES, INC., and
WALTER LAND COMPANY

JWC ASSOCIATES, L.P.
JWC ASSOCIATES II, L.P.
KKR PARTNERS II, L.P.

By: KKR ASSOCIATES

BY: /S/ HENRY R. KRAVIS

Name: Henry R. Kravis
Title: General Partner

EXHIBIT 1:

RESTATED CERTIFICATE OF INCORPORATION OF WALTER INDUSTRIES

EXHIBIT 1

RESTATED CERTIFICATE OF INCORPORATION OF WALTER INDUSTRIES, INC.

WALTER INDUSTRIES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), DOES HEREBY CERTIFY THAT:

FIRST: The name of the Corporation is WALTER INDUSTRIES, INC. The Corporation was originally incorporated under the name "HILLSBOROUGH HOLDINGS CORPORATION" and the date of filing of the Corporation's original Certificate of Incorporation with the Secretary of State of Delaware was September 8, 1987.

SECOND: Pursuant to Section 245 of the General Corporation Law of the State of Delaware, this Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of the Corporation.

THIRD: The text of the Restated Certificate of Incorporation as heretofore amended or supplemented is hereby restated and further amended to read in its entirety as follows:

1. The name of the Corporation is WALTER INDUSTRIES, INC.

2. The registered office and registered agent of the Corporation is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

3. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of stock that the Corporation is authorized to issue is Two Hundred Million (200,000,000) shares of Common Stock, par value $.01 each.[1]

5. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for the purpose of creating, defining, limiting and regulating powers of the Corporation and its directors and stockholders:

(a) The Board of directors of the Corporation, acting by majority vote, may alter, amend or repeal the bylaws of the Corporation.

(b) Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

6. Except as otherwise provided by the Delaware General Corporation Law as the same exists or may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of this Article 6 by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

7. To the fullest extent permitted by applicable law, the Corporation shall indemnify (including the advancement of defense expenses as incurred) any current or former director, officer, employee or agent of the Corporation, and such director's, officer's, employee's or agent's heirs, executors and administrators, against all expenses, judgments, fines and amounts paid in settlement actually and reasonably

[1] The Corporation will also be authorized to issue a second class of Common Stock that would be exchanged for the stock held by the Celotex Settlement Fund Recipient immediately prior to the distribution by the Celotex Settlement Fund Recipient of Common Stock to its beneficiaries. The second class of Common Stock would be identical to the original class except that shares of the second class (i) would be deemed to be voted in the same proportions as the original Common Stock on all matters except matters that only affected adversely the second class, in which case the second class would have a class vote, and (ii) would be converted into an equal number of shares of the original class upon transfer to a person not affiliated with a beneficiary of the Celotex Settlement Fund Recipient.

incurred by such indemnified party in connection with any threatened, pending or completed action, suit or proceeding brought by or in the right of the Corporation, or otherwise, to which such indemnified party was or is a party or is threatened to be made a party by reason of such indemnified party's current or former position with the Corporation or by reason of the fact that such indemnified party is or was serving, at the request of the Corporation, as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or the enterprise.

8. The number of directors constituting the full board of directors shall be nine (9), and the initial term of the directors (and their successors) designated pursuant to the Amended Joint Plan of Reorganization, dated as of November 22, 1994, as the same may be amended or supplemented from time to time (the "Consensual Plan"), shall be three(3) years; thereafter, the term of each director shall be one (1) year.

9. Shares of Common Stock issued to the Celotex Settlement Fund Recipient under the Consensual Plan and not yet transferred to persons other than Veil Piercing Claimants shall be voted only in the same percentages of votes as the other shares of Common Stock are voted on the matter in question.

IN WITNESS WHEREOF, WALTER INDUSTRIES, INC. has caused this Restated Certificate of Incorporation to be signed by , its President, and attested by , its secretary, this day of , 19 .

ATTEST:

WALTER INDUSTRIES, INC.

_____

Name:
Title: Secretary

By: _____

Name:
Title: President

EXHIBIT 2:

SUMMARY OF TERMS FOR THE NEW SENIOR NOTES

EXHIBIT 2

Summary of Terms for New Senior Notes

Issuer	Walter Industries, Inc. and/or one or more other Debtors (each the "Company" or the "Issuer").
Issue	New Senior Notes. To be issued in two series — Series A and Series B.
Principal Amount	Series A — Will be equal to the Allowed Amount on the Effective Date (less Cash to be paid from the Class S-6 Fund and the part of such Claim to be satisfied by New Common Stock) in respect of the approximately $58 million of principal amount of Series B & C Senior Notes as to which the Series B & C Senior Note Claim Election was made (such Allowed Amount, which includes pre-petition and post-petition interest, will be approximately $94.9 million as of December 31, 1994). No Series A New Senior Notes will be issued if such notes are not rated BB or higher by either Rating Service or if Walter Industries so elects in its sole discretion, in which case all Class S-6 Claims that would otherwise have been satisfied by Series A New Senior Notes will instead be satisfied by an amount of Cash equal to the principal amount of such Series A New Senior Notes that would otherwise have been issued. Series B — The difference between the aggregate amount of Qualified Securities and the part of Qualified Securities consisting of Cash; not greater than $490 million without consent of Lehman Brothers Inc. No Series B New Senior Notes will be issued if on the Effective Date all but not less than all claims that would have otherwise been satisfied by Series B New Senior Notes are paid in Cash, whether from the proceeds of a financing (the "Replacement Indebtedness") or otherwise.
Exchange Election	Holders of Series B & C Senior Notes who receive Series A New Senior Notes may, at any time within 90 days after the Effective Date, exchange all of such Holder's Series A New Senior Notes for an equal principal amount of Series B New Senior Notes.
Maturity	5 years.
Rate	To be determined in accordance with the procedures set forth in the definition of "New Senior Notes" in the Consensual Plan.
Security	The Series A and Series B New Senior Notes will be secured on a *pari passu* basis by all collateral presently securing the Series B & C Senior Notes, consisting of all of the stock of Jim Walter Resources, U.S. Pipe, Jim Walter Homes and United Land, or by other collateral of equal or greater value (*provided*, that any such method of valuation shall be reasonably acceptable to the Series B & C Senior Note Trustee). If no Series B New Senior Notes are issued, the Replacement Indebtedness may be secured on a *pari passu* basis with the Series A New Senior Notes.
Interest Payment Dates	Semi-annually, interest paid in cash in arrears, on August 15 and February 15 of each year, commencing August 15, 1995.
Optional Redemption	The Series A New Senior Notes are not redeemable prior to four years after original issuance thereof, and may be redeemed thereafter in whole or in part at the option of the Company upon prior notice at 101% of the outstanding principal amount plus accrued and unpaid interest to the

redemption date; *provided* that, if at the time of issuance of the Series A New Senior Notes, market conditions and the equivalent terms of similar debt instruments commonly issued and carrying a BB rating contain a shorter no-call period, then the no-call period may be shortened, but in any event not to less than 18 months after issuance, and/or the redemption premium shall be increased, but in any event the redemption premium shall not be less than 103% of the outstanding principal amount in the case of an 18 month no-call period.

The Series B New Senior Notes may be redeemed at any time in whole or in part (but in the case of partial redemptions, only if the unredeemed principal amount of the Series B New Senior Notes is at least $150 million) at the option of the Company upon prior notice at 101% of the outstanding principal amount plus accrued and unpaid interest to the redemption date.

Amortization ..... All of the outstanding principal amount and accrued but unpaid interest thereon shall be due and payable at maturity.

Covenants..... Covenants shall include but not be limited to: (i) limitations on indebtedness, (ii) limitations on the creation of liens, (iii) limitations on restricted payments, (iv) limitation on dividends, (v) limitations on transactions with affiliates and (vi) limitations on asset sales, mergers and consolidations; *provided*, that such covenants shall expressly permit the Issuer and its subsidiaries to make asset sales out of the ordinary course of business and to enter into other non-ordinary course transactions (including the sale of collateral securing the New Senior Notes, free and clear of any liens, claims and encumbrances, provided that the net proceeds thereof are used to redeem, *pari passu*, Series A and Series B New Senior Notes at par plus accrued interest); *provided, further,* that such covenants, consistent with the foregoing, shall be reasonably acceptable to the Series B & C Senior Note Trustee.

Ranking ..... The New Senior Notes will be senior Indebtedness of the Company and will rank senior in right of payment to certain other Indebtedness of the Issuer and rank *pari passu* with certain other Indebtedness of the Issuer.

Events of Default and Remedies ..... Events of Default shall include but not be limited to (a) default in the payment of principal on any New Senior Notes when the same becomes due and payable; (b) default in the payment of interest on any New Senior Notes when the same becomes due and payable, and such default continues for a period of five (5) days; (c) the Company defaults in the performance of or breaches any other material covenant or material agreement of the Company under the New Senior Notes and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the New Senior Notes then outstanding; (d) failure by the Company or any of its Significant Subsidiaries to make any payments when due (after giving effect to any applicable grace period and whether by reason of maturity, acceleration or otherwise) under any issue or issues of indebtedness of the Company and/or one or more of its Significant Subsidiaries having an outstanding principal amount of $25 million or more individually or $50 million or more in the aggregate for all such issues of all such persons; (e) any final judgment or order

(not covered by insurance) for the payment of money in excess of $25 million individually or $50 million in the aggregate for all such final judgments or orders against all such persons shall be rendered against the Company or any of its Significant Subsidiaries and shall not be paid or discharged; and (f) with respect to the Company and its Significant Subsidiaries, the occurrence of certain acts of bankruptcy or insolvency or failure to pay debts generally as they come due.

If an Event of Default (other than an Event of Default specified in clause (f) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the New Senior Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of the Holders shall, declare the entire unpaid principal of and accrued interest on the New Senior Notes shall be immediately due and payable. Upon a declaration of acceleration, such principal of and accrued interest on the New Senior Notes to be immediately due and payable. In the event a declaration of acceleration because an Event of Default set forth in clause (d) above has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the event of default triggering such Event of Default pursuant to clause (d) shall be remedied, cured by the Company or waived by the holders of the relevant indebtedness within 60 days after the declaration of acceleration with respect thereto. If an Event of Default specified in clause (f) above occurs, all unpaid principal of and accrued interest on the New Senior Notes then outstanding shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of at least a majority in principal amount of the outstanding New Senior Notes, by written notice to the Company and the Trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (i) all existing Events of Default, other than the nonpayment of the principal of and interest on the New Senior Notes that have become due solely by such declaration of acceleration, have been cured or waived and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Documentation ..... The Series B & C Senior Note Trustee shall have the right to reasonably approve all documents under the Consensual Plan regarding the treatment of Series B & C Senior Note Claims.

EXHIBIT 3A:

SECOND AMENDED AND RESTATED VEIL PIERCING SETTLEMENT AGREEMENT

EXHIBIT 3A

SECOND AMENDED AND RESTATED VEIL PIERCING SETTLEMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED VEIL PIERCING SETTLEMENT AGREEMENT (as the same may be amended, modified or supplemented from time to time, the "Agreement") amends and restates that certain Amended and Restated Veil Piercing Settlement Agreement (the "Amended Agreement") made and entered into as of the 1st day of August, 1994, which amended and restated that certain Veil Piercing Settlement Agreement (the "Original Agreement") made and entered into as of the 18th day of April, 1994, and is made and entered into as of the 22nd day of November, 1994, by and among:

(a) Certain asbestos victim defendants (the "AVDs") named as defendants in Adversary Proceeding No. 90-0003 and Adversary Proceeding No. 90-0004 (collectively, the "Adversary Proceedings"), and represented in the Adversary Proceedings by Caplin & Drysdale, Chartered ("Caplin & Drysdale"), commenced in the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the "Court"), in the Chapter 11 cases of Hillsborough Holdings Corporation ("Hillsborough") and the other Debtors (as defined herein) in their administratively consolidated Case Nos. 89-9715-8P1 through 89-9746-8P1, and 90-11997-8P1;

(b) Caplin & Drysdale, Baron & Budd, Greitzer and Locks, Ness Motley Loadholt Richardson & Poole ("Ness Motley"), each on behalf of itself, its individual lawyers and its clients that may be Veil Piercing Claimants (as defined herein) (Baron & Budd, Greitzer and Locks, and Ness Motley are collectively referred to herein as the "Claimants' Attorneys", and Caplin & Drysdale and the Claimants' Attorneys are collectively referred to herein as the "Veil Piercing Claimants' Representatives");

(c) The Celotex Corporation, a defendant in the Adversary Proceedings and a debtor and debtor-in-possession in a Chapter 11 case ("The Celotex Corporation") pending in the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the "Celotex Bankruptcy Court"), Case No. 90-10016-8B1 (the "Celotex Chapter 11 Case"), the Celotex Committee of Unsecured Creditors, the Celotex Asbestos Property Damage Claimants Committee and the Celotex Asbestos Bodily Injury Claimants Committee (the Celotex Committee of Unsecured Creditors, the Celotex Asbestos Property Damage Claimants Committee and the Celotex Asbestos Bodily Injury Claimants Committee are collectively referred to herein as the "Official Celotex Committees");

(d) Jim Walter Corporation, a defendant in the Adversary Proceedings ("JWC"), on behalf of itself and its subsidiaries other than The Celotex Corporation and its subsidiaries, (collectively referred to without The Celotex Corporation and its subsidiaries as the "JWC Companies");

(e) the HHC Bondholders Committee (as defined herein), the HHC Creditors Committee (as defined herein) (the HHC Bondholders Committee and the HHC Creditors Committee are collectively referred to herein as the "HHC Official Committees"), Lehman Brothers Inc., Apollo (as defined herein) (together, Lehman Brothers Inc. and Apollo are referred to herein, solely in their capacity as creditors in the Chapter 11 Cases (as defined herein) and in no other capacity, as the "Bondholder Proponents");

(f) Hillsborough (n/k/a Walter Industries, Inc.), Best Insurors, Inc., Best Insurors of Mississippi, Inc., Coast to Coast Advertising, Inc., Computer Holdings Corporation, Dixie Building Supplies, Inc., Hamer Holdings Corporation, Hamer Properties, Inc., Homes Holdings Corporation, Jim Walter Computer Services, Inc., Jim Walter Homes, Inc., Jim Walter Insurance Services, Inc., Jim Walter Resources, Inc., Jim Walter Window Components, Inc., JW Aluminum Company, JW Resources, Inc., JW Resources Holdings Corporation, J.W.I. Holdings Corporation, J.W. Walter, Inc., JW Window Components, Inc., Land Holdings Corporation, Mid-State Homes, Inc., Mid-State Holdings Corporation, Railroad Holdings Corporation, Sloss Industries Corporation, Southern Precision Corporation, United Land Corporation, United States Pipe and Foundry Company, U.S. Pipe Realty, Inc., Vestal Manufacturing Company, Walter Home Improvement, Inc., Walter Industries, Inc. and Walter Land Company, debtors and debtors-in-possession in the Chapter 11 Cases (collectively, the "Debtors");

(g) JWC Associates L.P., JWC Associates II L.P. and KKR Partners II L.P., on behalf of themselves and their general and limited partners (the "KKR Entities"); and

(h) James W. Walter, Kenneth J. Matlock, William H. Weldon, Gilberto Aleman, W. Kendall Baker, William Carr, Joseph F. Hegerich, Wayne Hornsby, Kenneth E. Hyatt, Donald M. Kurucz, Robert W. Michael, Timothy M. Pariso, Michael Roberts, Dennis M. Ross, Sam J. Salario, James M. Sims, William N. Temple and David L. Townsend (the "Signing Management").

(All of the foregoing (a) through (h) are referred to herein collectively as the "Parties" and individually as a "Party").

WITNESSETH:

WHEREAS, the Debtors initiated the Adversary Proceedings seeking (a) a final declaration and adjudication that the corporate veil between JWC and The Celotex Corporation may not be pierced; (b) a final declaration and adjudication that the leveraged buy-out of JWC (the "LBO") was not a fraudulent conveyance, nor were any subsequent transactions entered into as a part of the LBO fraudulent transfers; (c) a final declaration and adjudication that neither the Debtors nor any of their subsidiaries or affiliates is the successor-in-interest to the asbestos-related liabilities of either JWC or The Celotex Corporation; (d) a final declaration and adjudication that neither the Debtors nor any of their subsidiaries or affiliates is liable for the asbestos-related liabilities of either JWC or The Celotex Corporation; and (e) such injunctive relief as may be necessary and appropriate to effectuate the declaratory relief sought by the Debtors; and

WHEREAS, the AVDs have defended and opposed the relief sought by the Debtors in the Adversary Proceedings and have asserted Settlement Claims (as defined herein) against the Debtors and JWC in various forums; and

WHEREAS, The Celotex Corporation participated as a defendant in the Adversary Proceedings; and

WHEREAS, The Celotex Corporation has asserted that (a) it has the exclusive right and standing to assert the Settlement Claims against the Debtors and JWC for the benefit of its estate and its creditors because such claims are asserted by it to be the property of its bankruptcy estate and (b) bankruptcy policy is furthered by ensuring that all similarly situated creditors are treated fairly; and

WHEREAS, the Veil Piercing Claimants' Representatives have asserted that each of the Veil Piercing Claimants has the right and standing to assert his/her/its Veil Piercing Claim (as defined herein) and/or claims based upon LBO-Related Issues (as defined herein) against the Debtors and JWC for his/her/its own benefit; and

WHEREAS, the Claimants' Attorneys are authorized to act as the negotiating group for the law firms which have assented and will in the future assent to this Agreement by executing Exhibit A attached hereto, all of which represent persons and entities that have asserted or may assert Settlement Claims; and

WHEREAS, the Celotex Committee of Unsecured Creditors, the Celotex Asbestos Property Damage Claimants Committee and the Celotex Asbestos Bodily Injury Claimants Committee are officially authorized by the Code (as defined herein) to represent the interests of persons or entities having general unsecured and trade claims, asbestos property damage claims and present asbestos bodily injury claims, respectively, against The Celotex Corporation in the Celotex Chapter 11 Case; and

WHEREAS, on December 9, 1993, the Veil Piercing Claimants' Representatives and the Bondholder Proponents entered into a Term Sheet for Settlement of Veil Piercing Claims Pursuant to Chapter 11 Plan (the "Term Sheet"), which Term Sheet embodied certain agreements in principle and contemplated the prompt preparation and execution of a definitive agreement that would embody the terms of and supersede the Term Sheet; and

WHEREAS, on December 16, 1993, the Original Plan Proponents (as defined herein) filed with the Court a Joint Plan of Reorganization of Debtors Proposed by Certain Creditor Proponents (the "Original Creditor Plan"), which incorporated, *inter alia*, the terms of the Term Sheet and which contemplated the

prompt preparation and execution of a definitive agreement that would embody the terms of and supersede the Term Sheet; and

WHEREAS, the Term Sheet contemplated, and the Original Creditor Plan embodied, a settlement under which distributions of New Common Stock (as defined herein) and Qualified Securities (as defined herein) would be made in full and complete settlement, satisfaction, release and discharge of all Settlement Claims on the basis of (a) a negotiated enterprise value of $2,525,000,000 and (b) the fractions set forth in Section 2(a) of the Original Agreement; it being understood that $2,525,000,000 represented a good faith estimate at that time of the going concern enterprise value of the Debtors on a consolidated basis arrived at after extensive analysis by Original Plan Proponents, and taking into account the possibility of delay between the Confirmation Date (as defined herein) and the Plan Effective Date (as defined herein), and the potential increase in the value of the Debtors over time; and

WHEREAS, the time for The Celotex Corporation to file a proof of claim in the Chapter 11 Cases on behalf of itself and/or its creditors who are Veil Piercing Claimants has not yet expired, and The Celotex Corporation has demonstrated its intention to timely file such proof of claim, including, without limitation, the Celotex Proof of Claim (as defined herein); and

WHEREAS, the time for Veil Piercing Claimants to file their respective proofs of claim in the Chapter 11 Cases has not yet expired, and the Veil Piercing Claimants' Representatives have demonstrated their intention to timely file such proof(s) of claims, or to support the timely filing of such proof(s) of claim, on a representative class basis on behalf of all Veil Piercing Claimants pursuant to the Veil Piercing Proof of Claim (as defined herein); and

WHEREAS, the Parties are mutually desirous of settling with Finality (as defined herein) and compromising, satisfying, releasing and discharging, any and all Settlement Claims, specifically including, without limitation, the Veil Piercing Claims including, without limitation, those which are the subject of the Adversary Proceedings; and

WHEREAS, it is the specific intention and desire of the Parties that the Settlement Fund (as defined herein) be paid to the Celotex Settlement Fund Recipient (as defined herein) for the exclusive benefit of the Veil Piercing Claimants, and that, *inter alia*, all Settlement Claims, including, without limitation, all Veil Piercing Claims, shall channel, transfer and attach to the Settlement Fund which shall be administered by, and, together with the Celotex Settlement Fund Recipient shall be subject to the jurisdiction of, the Celotex Bankruptcy Court and which shall be utilized in a Chapter 11 plan in the Celotex Chapter 11 Case so that all Released Parties (as defined herein) shall have the full protections accorded by Section 524(g) of the Code (as defined herein); and

WHEREAS, a trial on the issues raised in the Adversary Proceedings took place before the Court from December 13, 1993 through December 17, 1993; and

WHEREAS, on April 18, 1994, the Court issued its opinion on the issues raised in the trial of the Adversary Proceedings, ruling in favor of the Debtors (the "April 18 Order"); and

WHEREAS, the Original Agreement, embodying the Term Sheet, was executed and delivered by the parties thereto as of April 18, 1994; and

WHEREAS, on June 16, 1994, the Celotex Bankruptcy Court entered an order authorizing and directing The Celotex Corporation to enter into and to perform its obligations under the Original Agreement; and

WHEREAS, the Veil Piercing Claimants' Representatives filed a timely notice of appeal of the April 18 Order to the United States District Court for the Middle District of Florida, Tampa Division (the "District Court"); and

WHEREAS, amendments to the Original Creditor Plan were filed with the Court on April 20, 1994, May 11, 1994, May 17, 1994, June 9, 1994 and August 2, 1994 (the amendment filed on August 2, 1994 is referred to herein as the "Creditors' Plan"); and

WHEREAS, on August 2, 1994 the proponents of the Creditors' Plan, with the assent of the Veil Piercing Claimants' Representatives and in response to the Debtors' Fifth Amended Joint Plan of Reorganization dated July 25, 1994 (the "Debtors' Fifth Amended Plan"), which increased the allowed amount thereunder of each of (a) the Class S-1 and Class S-2 Claims, and (b) the Class S-6 Claims, filed the Creditors' Plan and entered into the Amended Agreement to increase the allowed amount of Class S-1, Class S-2 and Class S-6 Claims, by providing that the $75 million of Class B Common Stock (as defined in the Amended Agreement) that was to have been distributed to the Celotex Settlement Fund Recipient (as defined herein) under Section 2(a)(i)(A) of the Original Agreement (and that was to have been subject to assignment to Settling Equityholders (as defined in the Amended Agreement), if any, under the Original Agreement), instead be distributed in the manner specified in the Creditors' Plan and to provide that 100% of the Senior Claim Differential (as defined in the Amended Agreement), if any, be distributed to the Celotex Settlement Fund Recipient; and

WHEREAS, on September 21, 1994 the Celotex Bankruptcy Court entered an order authorizing and directing The Celotex Corporation to enter into and to perform its obligations under the Amended Agreement; and

WHEREAS, on October 13, 1994, the District Court (Nimmons, J.) issued an order affirming the April 18 Order (the "District Court's Order"); and

WHEREAS, the Veil Piercing Claimants' Representatives have timely filed an appeal from, *inter alia,* the District Court's Order; and

WHEREAS, the Court commenced hearings on October 17, 1994 to consider certain preliminary issues related to the confirmation of the Creditors' Plan and the Debtors' Fifth Amended Plan, including (a) the unsecured creditors' entitlement to post-petition interest before any retention of property by the holders of Old Common Stock Interests (as defined herein) under a Chapter 11 plan, (b) the motion by the proponents of the Creditors' Plan seeking approval of the Amended Agreement and the Debtors' motion to void the Amended Agreement and (c) challenges to ballots cast on the Creditors' Plan and the Debtors' Fifth Amended Plan (the "October 17 Hearings"); and

WHEREAS, after substantial discovery and two and one-half days of trial in the October 17th Hearings, the Original Plan Proponents, the Veil Piercing Claimants' Representatives, the Debtors, the KKR Entities and the Signing Management deemed it advisable to amend the Creditors' Plan and to amend and restate the Amended Agreement so as to provide for, *inter alia,* the Debtors and the KKR Entities to become co-proponents with the Original Plan Proponents and perhaps others of the Creditors' Plan as amended in the form of Exhibit B attached hereto as amended from time to time in accordance with the terms thereof (the "Consensual Plan") and to set forth the terms of the compromise and settlement contained herein; and

WHEREAS, the parties to the Amended Agreement desire to amend and restate it to facilitate the confirmation and consummation of the Consensual Plan or a Plan (as defined herein) and to incorporate the understandings between such entities and the Debtors, the Signing Management and the KKR Entities, all on the terms and subject to the conditions set forth herein; and

WHEREAS, the HHC Official Committees and the Bondholder Proponents have contended that it is not likely that the Veil Piercing Claimants in such capacity have any valid Settlement Claims against any or all of the Debtors, any or all of the Signing Management (in their respective capacities as present or former officers, directors, employees or shareholders of any or all of the Debtors), and any or all of the holders of Old Common Stock Interests of Hillsborough in such capacity; and

WHEREAS, the HHC Official Committees and the Bondholder Proponents have contended that general unsecured creditors of the Debtors are entitled to receive post-petition interest on the amounts owed to them as of the date of the filing of the Chapter 11 Cases (the "Post-Petition Interest") pursuant to the law as applied to the facts of the Chapter 11 Cases; and

WHEREAS, the HHC Official Committees and the Bondholder Proponents have contended that the general unsecured creditors of the Debtors are entitled to Post-Petition Interest in the amount of approximately $160,000,000 per year, for approximately 5 years to date aggregating in excess of $800,000,000; and

WHEREAS, as a result of the payment of the Settlement Fund to be made to the Celotex Settlement Fund Recipient, the general unsecured creditors of the Debtors, including, without limitation, Lehman Brothers Inc., and Apollo (as defined herein), will receive at least $390,000,000 less in Post-Petition Interest than they have contended they otherwise would be entitled to receive; and

WHEREAS, the Debtors, the KKR Entities and the Signing Management have contended that the Veil Piercing Claimants have no valid Settlement Claims against any or all of the Debtors, any or all of the Signing Management (in their respective capacities as present or former officers, directors, employees or shareholders of any or all of the Debtors), and any or all of the holders of Old Common Stock Interests in such capacity; and

WHEREAS, the KKR Entities and the Signing Management, on behalf of themselves and all other holders of Old Common Stock Interests have contended that the general unsecured creditors of the Debtors are not entitled to any Post-Petition Interest pursuant to the law as applied to the facts of the Chapter 11 Cases and that the value to be retained by holders of Old Common Stock Interests under a Chapter 11 plan would include any amounts claimed by general unsecured creditors of the Debtors to be payable as Post-Petition Interest; and

WHEREAS, pursuant to this Agreement, each of the Debtors, each of the Signing Management and each of the KKR Entities withdraws any and all objections each and all of them had or has to the Amended Agreement, including, without limitation, the payment of the Settlement Fund, the creation of the Celotex Settlement Fund Recipient and the settlements provided for in the Agreement; and

WHEREAS, as a result of the payment of the Settlement Fund, the KKR Entities and the Signing Management believe that all of the holders of Old Common Stock Interests, including, without limitation, themselves, will receive at least $390,000,000 less in value than they have contended they otherwise would be entitled to receive; and

WHEREAS, the allocation of value under the Consensual Plan and this Agreement among the Celotex Settlement Fund Recipient, the holders of Old Common Stock Interests and the Debtors' general unsecured creditors is a result of the compromise of, *inter alia,* the foregoing competing claims to such value by the Parties; and

WHEREAS, the resolution of the Settlement Claims is the critical issue in the Chapter 11 Cases and no plan of reorganization could be confirmed for the Debtors without an effective resolution of the Settlement Claims; and

WHEREAS, this Agreement is inextricably intertwined with the Consensual Plan, of which it is an integral and essential component; and

WHEREAS, all of the mutual promises, releases, conditions and other terms and provisions of this Agreement are understood and intended by the Parties to be interdependent, non-severable and reciprocal parts of the overall settlement embodied herein and by the Consensual Plan;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. *Defined Terms.* Capitalized terms not defined in the body of this Agreement or in the Consensual Plan shall have the meanings ascribed to them in *Appendix A* attached hereto.

2. *Settlement of Veil Piercing Claims Pursuant to Plan of Reorganization.*

(a) All Settlement Claims (i.e. all Veil Piercing Claims and all claims and causes of action held or assertable by the Veil Piercing Claimants based upon LBO-Related Issues) shall be fully and completely

settled, satisfied, released and discharged in exchange for an aggregate amount of consideration (as calculated below), to be paid and satisfied through the distribution of Qualified Securities, New Common Stock and possibly additional cash under the Plan (the "Settlement Fund") to the Celotex Settlement Fund Recipient, as follows:

(i) *Allowed Amount of the Settlement Claims.* The allowed amount of all of the Settlement Claims in the aggregate shall be equal to the sum of (A) the Veil Piercing Claims Amount (which shall be $375 million), plus (B) the Attorneys' Fees Differential, if any.

(ii) *Consideration Used to Satisfy the Settlement Claims.* The Veil Piercing Claims Amount shall be paid by the distribution of a combination of Qualified Securities and New Common Stock to the Celotex Settlement Fund Recipient. The amount of Qualified Securities to be so distributed under the Plan in respect of the Veil Piercing Claims Amount shall be calculated as follows:

$$\frac{\$375 \text{ million}}{\$1098 \text{ million} + \$375 \text{ million}}$$

multiplied by the aggregate principal amount of Qualified Securities available for distribution to holders of Subordinated Note Claims and the Celotex Settlement Fund Recipient under the Plan.

The amount of Settlement Claims that is deemed to be paid, and settled, satisfied, released and discharged, by Qualified Securities shall be equal to the aggregate principal amount of Qualified Securities issued in respect of the Veil Piercing Claims Amount. The excess of the Veil Piercing Claims Amount over the part thereof paid, and settled, satisfied, released and discharged, by Qualified Securities shall be paid, and settled, satisfied, released and discharged, by that number of shares of New Common Stock having a value which is equal to the Veil Piercing New Common Stock Amount. The amount of Settlement Claims that is to be paid, and settled, satisfied, released and discharged, by the Attorneys' Fees Differential shall be paid in cash.

(iii) *Example.* The following example is provided solely for the purpose of illustrating the operation of clauses (i) and (ii) above. Assuming that the actual amount of distributions made under the Plan in respect of Subordinated Note Claims is equal to $1098 million, then (a) the aggregate allowed amount of the Settlement Claims would consist of (i) the Veil Piercing Claims Amount (that is, $375 million) plus (ii) the Attorneys' Fees Differential, if any, and (b) such allowed amount would be settled, satisfied, released and discharged by the distribution of 375/1473 of the aggregate principal amount of Qualified Securities available for distribution to holders of Subordinated Note Claims and the Celotex Settlement Fund Recipient (for example, if $700 million of Qualified Securities were so available, 375/1473 of such total, or $178,207,680, would be paid in Qualified Securities in respect of Veil Piercing Claims), and the distribution, in respect of the remainder of the Veil Piercing Claims Amount, of shares of New Common Stock equal to the Veil Piercing New Common Stock Amount (following the preceding example $196,792,320). The amount of the Attorneys' Fees Differential, if any, would be paid in cash.

(b) *"Plan" Defined.* (i) The term "Plan", as used in this Agreement, shall mean the Consensual Plan or any other plan(s) of reorganization filed in the Chapter 11 Cases as to which the Bondholder Proponents and the Debtors are proponents and that does not contravene the terms and conditions of this Agreement (subject to Sections 2(b)(ii) and 2(c) herein).

(ii) The term "Plan" shall not include a plan of reorganization (other than the Consensual Plan) or an amendment to or modification of a plan of reorganization unless (A) a notice specifying the intended date of filing of the plan of reorganization, amendment or modification, together with a copy of such plan of reorganization, amendment or modification, in substantially final form, are sent to the Bondholder Proponents, the Debtors, the Veil Piercing Claimants' Representatives, The Celotex Corporation, the Celotex Asbestos Property Damage Claimants Committee and the Celotex Asbestos Bodily Injury Claimants Committee not less than three (3) business days prior to filing thereof with the Court and (B) in the event that such plan of reorganization, amendment or modification materially contravenes the terms and conditions of this Agreement as they relate to The

Celotex Corporation, the Bondholder Proponents, the Debtors, the KKR Entities, the Management, or the persons or entities represented by the Veil Piercing Claimants' Representatives, the Celotex Asbestos Property Damage Claimants Committee or the Celotex Asbestos Bodily Injury Committee, it being understood that an adverse modification of the anti-dilution protection relating to the increase in the Negotiated Enterprise Value to $2.6 billion as set forth in the Consensual Plan in the calculation of the Veil Piercing New Common Stock Value Per Share shall constitute a contravention of this Agreement, such plan of reorganization, amendment or modification is consented to by each such Party (or, in the case of the Veil Piercing Claimants represented by the Veil Piercing Claimants' Representatives, the Celotex Asbestos Property Damage Claimants Committee and/or the Celotex Asbestos Bodily Injury Claimants Committee, such Parties) that is adversely affected by such proposed contravention; it being further understood that such plan of reorganization, amendment or modification shall not constitute a Plan unless the Bondholder Proponents shall be a proponent of the plan of reorganization so filed, amended or modified, after giving effect to such amendment or modification.

(iii) Neither the confirmation nor the effectiveness of the Consensual Plan or any other Plan shall be conditioned upon the confirmation or effectiveness of a plan of reorganization in any proceedings pursuant to the Code other than in the Chapter 11 Cases.

(c) Nothing in this Agreement shall impair in any way the ability of the Parties or any of them to file, modify or amend a plan of reorganization in any respect; *provided,* that no such modification or amendment contravenes the terms and conditions of this Agreement, unless consented to pursuant to Section 2(b)(ii) herein.

(d) The Plan shall provide for a registration rights agreement substantially in the form of *Exhibit C* attached hereto, which shall provide, among other things, for the registration of all of the Qualified Securities and the New Common Stock for sale promptly after the Plan Effective Date pursuant to a registration statement or statements under the Securities Act of 1933, as amended. Nothing in this Agreement shall impair in any way the ability of the Bondholder Proponents and the Debtors to modify or amend the registration rights agreement; *provided,* that such modification or amendment shall not delay the timing of the initial shelf registrations or adversely affect the number and timing of demand or piggyback registrations available to the Celotex Settlement Fund Recipient or the right of the Celotex Settlement Fund Recipient to participate in any such registrations.

(e) Lehman Brothers Inc., Apollo and the Celotex Settlement Fund Recipient shall enter into an agreement as of the Plan Effective Date, substantially in the form of *Exhibit D* attached hereto, which shall provide, among other things, that if any of Lehman Brothers Inc., Apollo or the Celotex Settlement Fund Recipient (in the case of the Celotex Settlement Fund Recipient, only with the consent of the Veil Piercing Claimants' Representatives) determines to transfer shares of New Common Stock to a non-Affiliate other than (i) as an exchange under the Plan, (ii) on a national securities exchange or (iii) through a registered broker-dealer, then the other parties to such agreement shall have the "tag-along" rights specified in the agreement attached hereto as *Exhibit D* to participate in such transfer on a pro rata basis.

(f) (i) In the event that the Plan provides for a call option or other right of purchase to be granted pursuant to the Plan with respect to all shares of New Common Stock otherwise to be issued to holders of Subordinated Note Claims pursuant to the Plan, and such call option or other right of purchase provides for the purchase of such New Common Stock at any time not later than five (5) business days after the Plan Effective Date, for a cash purchase price per share not less than the New Common Stock Value Per Share, then the Celotex Settlement Fund Recipient shall grant an identical call option or other right of purchase with respect to all shares of New Common Stock otherwise to be issued to the Celotex Settlement Fund Recipient pursuant to the Plan and (ii) in the event that the Bondholder Proponents grant, other than pursuant to the Plan with respect to all shares of New Common Stock otherwise issued to holders of Subordinated Note Claims, a call option or other right of purchase with respect to any shares of New Common Stock otherwise to be issued to the Bondholder Proponents under the Plan, and such call option or other right of purchase provides for the purchase of such New Common Stock at any

time not later than five (5) business days after the Plan Effective Date, for a cash purchase price per share not less than the New Common Stock Value Per Share, then the Celotex Settlement Fund Recipient shall have the option to grant an identical call option or other right of purchase with respect to a proportional amount of shares of New Common Stock otherwise to be issued to the Celotex Settlement Fund Recipient pursuant to the Plan, such option to be exercisable in writing not later than the earlier to occur of (A) thirty (30) days after written notice of the grant, or proposed grant, of a call option or other purchase right by the Bondholder Proponents pursuant to this Section 2(f)(ii) herein is given to the Veil Piercing Claimants' Representatives and the Celotex Settlement Fund Recipient, which notice shall specify the principal terms of such call option or other purchase right, including the identity of the grantee(s), the timing and method of exercise, and the form, amount and timing of payment of the exercise price, and (B) such other period of time required by the terms of the call option or other right of purchase, which shall in no event be less than ten (10) days after notice thereof is given to the Veil Piercing Claimants' Representatives and the Celotex Settlement Fund Recipient.

3. *Conditions to Effectiveness of the Settlement.*

In order to provide for the full and complete settlement, satisfaction, release and discharge of all Settlement Claims, this Agreement and the settlement contained herein shall be conditioned on the satisfaction (or the written waiver or modification as specified below in each subsection) of all of the following conditions:

(a) Entry by the Court of the Confirmation Order, which Order shall (unless this requirement, or any part thereof, is waived or modified by the Bondholder Proponents and the Debtors):

(i) achieve Finality (as defined in Section 3(c) herein) with respect to the full and complete settlement, satisfaction, release and discharge of all Settlement Claims against any and all of the Released Parties, in each case to the fullest extent permitted in the Confirmation Order and without, *inter alia,* any waiver or limitation or restriction in any way on the discharge granted upon confirmation of the Plan pursuant to Section 1141 of the Code and effective on the Plan Effective Date;

(ii) include an injunction providing that all Settlement Claims shall channel, transfer and attach to the Settlement Fund and permanently enjoining to the fullest extent permitted in the Confirmation Order the taking of any action against the Released Parties or their assets or other property to pursue or enforce, directly or indirectly, any Settlement Claims;

(iii) retain continuing jurisdiction by the Court to enforce the provisions of the Confirmation Order and this Agreement, including exclusive jurisdiction over any challenges to the scope of the releases, discharges and injunctions contained in the Confirmation Order and the releases contained in this Agreement;

(iv) find that Class U-7 received full and adequate disclosure as required by statute of the Plan and the Agreement in connection with voting on the Plan;

(v) find that Class U-7 received notice of the Class U-7 Bar Date (as defined in Section 4(d)(ii)(A) herein) and the hearings to consider confirmation of the Plan and approval of the Agreement as required by statute and the standards of constitutional due process;

(vi) include a provision certifying a class for settlement purposes only comprising all Veil Piercing Claimants (the "Settlement Class") pursuant to Fed. R. Civ. P. 23(b) and approving the settlement of the Settlement Claims as provided in this Agreement, and finding that all requirements of Fed. R. Civ. P. 23(a) have been satisfied and that notice to the Settlement Class was provided as required by statute and the standards of constitutional due process;

(vii) allow the Veil Piercing Proof of Claim filed on behalf of the Settlement Class, together with the Celotex Proof of Claim, but only to the extent of the allowed amount of the Settlement Claims as provided in Section 2(a) herein and only to the extent that all Settlement Claims represented by such Veil Piercing Proof of Claim and Celotex Proof of Claim will be paid by

distribution of the Settlement Fund to the Celotex Settlement Fund Recipient (the validity and amount of claims to or Demands against the Settlement Fund to be determined by the Celotex Bankruptcy Court) and shall have no other claim to or against the Debtors or their estates;

(viii) approve the indemnification provisions contained in the Plan and in any exhibits thereto for the Existing Equityholders and past and present officers and directors of the Debtors;

(ix) provide that the Settlement Fund shall be administered by, and be subject to the jurisdiction of, the Celotex Bankruptcy Court; and

(x) enjoin any use of the record of the Adversary Proceedings, including the transcript of the trial and all depositions taken in such Proceedings, against any or all of the Released Parties (but specifically permitting the use of such record by the Court, the Celotex Bankruptcy Court and any appellate court of competent jurisdiction for the sole purpose of such court's review and/or enforcement of the settlement embodied in this Agreement and the Confirmation Order);

(b) The Confirmation Order shall have become a Final Order (unless this requirement is waived or modified by the Bondholder Proponents);

(c) "Finality" shall have been achieved with respect to the full and complete settlement, satisfaction, release and discharge of all Settlement Claims when all of the following conditions shall have been satisfied (unless this requirement, or any part thereof, is waived or modified by the Bondholder Proponents and the Debtors):

(i) The Confirmation Order and the Plan shall provide for the full and complete settlement, satisfaction, discharge and release of, and an injunction prohibiting the commencement or continuation of, any claim or cause of action or Demand based upon a Veil Piercing-Related Issue against, in each case to the fullest extent permitted in the Confirmation Order, any and all of the Released Parties of and from any and all claims, obligations, rights, causes of action, Demands and liabilities (other than the right to enforce obligations under this Agreement and the Plan) which any person or entity may be entitled to assert, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, directly or indirectly, based in whole or in part upon any act, omission or other occurrence taking place on or prior to the Plan Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Plan or The Celotex Corporation and its subsidiaries (including, without limitation, any of the Settlement Claims);

(ii) The Confirmation Order and the Plan shall provide for the full and complete settlement, satisfaction, discharge and release of, and an injunction prohibiting the commencement or continuation of, any claim or cause of action or Demand based upon a LBO-Related Issue raised or assertable by the Veil Piercing Claimants against any and all of the Released Parties, in each case to the fullest extent permitted in the Confirmation Order, including, without limitation, all claims, indemnities and causes of action that any or all of the Debtors, or any person(s) or entity(ies) claiming through any or all of them, have in connection with the LBO, action taken in contemplation of the LBO, or any contemporaneous or subsequent transaction(s) entered into as part of, arising out of or relating to the LBO or any or all of the LBO transaction(s) or transfer(s), including, without limitation, any and all obligations of any nature contemplated by, arising out of or related to the Stock Purchase Agreement between Hillsborough Holdings Corporation and Jasper Corp. dated as of April 21, 1988, as amended pursuant to amendments dated May 26, 1988 and January 25, 1989, and the related Undertaking of Jasper Corp. (including, without limitation, any of the Settlement Claims);

(iii) The Confirmation Order shall provide that the settlement of the Settlement Claims under this Agreement is fair, equitable and reasonable and in good faith;

(iv) The Celotex Bankruptcy Court shall have entered an order approving this Agreement and authorizing and directing The Celotex Corporation to render performance in accordance with the terms and conditions hereof;

(v) Class U-7 shall have voted to accept the Plan in accordance with the Code or the Court shall have determined that Class U-7 is unimpaired under the Consensual Plan and under Section 1124 of the Code; and

(vi) The Confirmation Order shall provide that the Settlement Class shall be deemed to have provided the Mutual Release set forth in Section 4(b) herein; and

(d) In the event that any of the conditions set forth in Sections 3(b) and/or (c) herein is not fully satisfied, the Bondholder Proponents (in consultation with the Debtors) may request, consistent with Section 4(d) herein, that the Celotex Settlement Fund Recipient and any and all Parties to this Agreement take such actions as the Bondholder Proponents may reasonably request, which actions are reasonably believed by the Bondholder Proponents to be necessary to the realization of Finality.

4. *Agreements.*

(a) The Parties shall seek the prompt confirmation and consummation of the Consensual Plan or any other Plan, including the prompt approval by the Court of this Agreement in connection with the confirmation of the Plan.

(b) *Mutual Releases.* As of the Plan Effective Date, (i) (A) each of the Veil Piercing Claimants' Representatives, on its own behalf and on behalf of all Veil Piercing Claimants whom it represents or whom it has the authority to bind by virtue of its standing as attorney for such persons and entities, whether in their individual capacity(ies) or as representative(s) of the Settlement Class, (B) The Celotex Corporation, acting on behalf of its estate and all Veil Piercing Claimants, and (C) the Settlement Class, and (ii) each of the other Parties, hereby fully and freely RELEASE the Debtors, the Existing Equityholders, the KKR Entities and every other Released Party solely from any and all Settlement Claims and/or any claims and causes of action arising from the assertion of any or all of the Settlement Claims; *provided,* that there shall not be released any claims against The Celotex Corporation and its subsidiaries or any other manufacturer, seller or distributor of asbestos or an asbestos-containing product; *provided, further,* that nothing contained herein shall limit in any way the rights of indemnification from the Debtors of any present or former officer, director, employee or shareholder of the Debtors or any other person, to the extent such rights of indemnification have been preserved under Section 6.4 of the Plan or the Charter (as defined in the Consensual Plan). Each individual or entity granting a release ("Releasor") to any Released Party pursuant to this Agreement agrees as follows:

(1) THE RELEASOR EXPRESSLY UNDERSTANDS THAT Section 1542 of the Civil Code of the State of California provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtors."

(2) To the extent that, notwithstanding paragraph 9(d) hereof, California or other law may be applicable, THE RELEASOR HEREBY AGREES THAT THE PROVISIONS OF SECTION 1542 of the Civil Code of the State of California and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction which may be applicable hereto, to the extent they apply to any of the matters released herein, ARE HEREBY KNOWINGLY AND VOLUNTARILY WAIVED AND RELINQUISHED BY THE RELEASOR, in each and every capacity, to the full extent that such rights and benefits pertaining to the matters released herein may be waived, and the Releasor hereby agrees and acknowledges that this waiver is an essential term of this release, without which the consideration provided to it would not have been given.

(3) In connection with such waiver and relinquishment, the Releasor acknowledges that it is aware that it may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released herein. Nevertheless, it is its intent in executing this release fully, finally, and forever to settle and release all such

matters, and all claims relative thereto, which exist, may exist or might have existed (whether or not previously or currently asserted in any action).

(c) *Dismissal of Lawsuits.* (i) The HHC Official Committees (as may be necessary respecting the Adversary Proceedings only), the Debtors, the Veil Piercing Claimants' Representatives, The Celotex Corporation, the JWC Companies and the Official Celotex Committees shall use their respective reasonable efforts to bring about the prompt dismissal, with prejudice, as soon as practicable after the Plan Effective Date, of all known pending suits, appeals, proceedings and other actions, including the Adversary Proceedings, against each and all of the Released Parties solely to the extent such suits, appeals, proceedings or other actions are based upon, arise out of or are in connection with the Settlement Claims as to the Released Parties covered by the mutual release specified in Section 4(b) herein. Upon request therefor, any Party shall provide the Bondholder Proponents and the Debtors with a certificate of a responsible person of such Party, in form and substance reasonably acceptable to the Bondholder Proponents and the Debtors, to the effect that such Party has fully complied with this Section 4(c).

(ii) Promptly after the execution of this Agreement by the Parties (subject to Section 7(b) herein), the Parties who are parties to the Adversary Proceedings shall jointly seek an order from the Court of Appeals for the Eleventh Circuit ("Court of Appeals") (A) staying the appeal (the "Appeal") of the District Court's Order pending the Plan Effective Date or (B) dismissing the Appeal in light of the proposed settlement, but with the express proviso that in the event of the termination of this Agreement prior to the Plan Effective Date, the Appeal shall automatically be reinstated upon 15 days' notice to the Court of Appeals and all counsel to the parties to the Appeal.

(iii) In the event the Appeal of the District Court's Order has been dismissed pursuant to this Agreement, after the Plan Effective Date the Parties who are parties to the Adversary Proceedings, upon demand by the Debtors, shall stipulate to the entry of an order of final judgment (the "Preclusive Order") in the District Court, the Court or other appropriate court, for the purpose of giving full preclusive effect to the April 18 Order and the District Court's Order in favor of the Released Parties to the fullest extent permitted by law, consistent with this Agreement and the Consensual Plan.

(d) *Process Toward Realization of Finality.* (i) The Parties acknowledge that the prompt realization of Finality will require considerable strategic planning and the cooperation of all of the Parties. In view of these considerations, the Parties intend that the Bondholder Proponents (after consultation with the Debtors) shall make and implement all strategic decisions (including, without limitation, decisions as to the content and timing of any and all applications, filings or other documents filed with or otherwise submitted to (or statements made before) the Court, or releases or statements to the press (or that are reasonably calculated to be made publicly available through the press) that relate directly or indirectly to the Plan, the Agreement, the settlement contained herein or to Finality, in each case in consultation with the other Parties to the extent appropriate and/or practicable under the circumstances; and the other Parties agree to use their respective best efforts to assist and cooperate with the Bondholder Proponents and the Debtors in implementing such decisions and in promptly realizing Finality, (including, without limitation, to consult with the Bondholder Proponents respecting the content and timing of any and all applications, filings or other documents to be filed with or otherwise submitted to (or statements to be made before) the Celotex Bankruptcy Court prior to making any such submission or statement), in all cases consistent with this Agreement.

(ii) In furtherance of Section 4(d)(i) herein, the following procedures and efforts shall be utilized to obtain Finality and cannot be materially modified by the Bondholder Proponents without the Debtors' written consent:

(A) The HHC Official Committees, the Bondholder Proponents, the Debtors and the KKR Entities shall promptly seek an order from the Court establishing a bar date for filing proofs of claim in the Chapter 11 Cases in respect of the Settlement Claims, which shall require that such proofs of claim must be filed no later than 60 days from the date of first giving of the Notice of such bar date (the "Class U-7 Bar Date") or be forever barred from asserting such Settlement Claims;

(B) The HHC Official Committees, the Bondholder Proponents, the Debtors and the KKR Entities shall promptly seek an order from the Court, for settlement purposes only, (1) deeming Hillsborough's schedules to be amended by the addition thereto of each of the Veil Piercing Claimants with a claim in the provisionally allowed amount, only for purposes of voting on the Plan, of $1 each, (2) finding that, because of the Celotex Proof of Claim and the Veil Piercing Proof of Claim, individual Veil Piercing Claimants that do not "opt out" of the Settlement Class need not file a proof of claim in the Chapter 11 Cases in order to assert a claim against the Settlement Fund and (3) determining that in the event the Plan is confirmed and following the Plan Effective Date, the right of any individual Veil Piercing Claimant to share in any of the Settlement Fund will be determined in accordance with the rulings and procedures set forth by the Celotex Bankruptcy Court in the Celotex Chapter 11 Case;

(C) The Celotex Corporation will file the Celotex Proof of Claim;

(D) Such individual(s) and/or entity(ies) (other than AVDs) as shall be acceptable to the Bondholder Proponents after consultation with the Debtors, shall file the Veil Piercing Proof of Claim and shall promptly seek an order from the Court requesting, for settlement purposes only, (1) the certification of a class of all Veil Piercing Claimants (the "Settlement Class") pursuant to, at a minimum, Rule 23(b) of the Federal Rules of Civil Procedure and Rule 7023 of the Federal Rules of Bankruptcy Procedure, which Settlement Class shall provide members thereof with the right to "opt out"; (2) the appointment of the Veil Piercing Claimant(s) who filed the Veil Piercing Proof of Claim as a class representative(s) for the Veil Piercing Proof of Claim and the Settlement Class (which representative(s) shall comprise, at a minimum, one of an asbestos personal injury claimant, an asbestos property damage claimant or a general unsecured trade creditor of The Celotex Corporation); and (3) the appointment of counsel for the Settlement Class (to serve without compensation except as may be awarded pursuant to Section 4(i) herein and/or by the Celotex Bankruptcy Court in the Celotex Chapter 11 Case). The Parties shall cooperate, and use their best efforts, to achieve the entry of the aforementioned order;

(E) The Debtors shall promptly object to the Celotex Proof of Claim and the Veil Piercing Proof of Claim, (such objections, the "Contested Matters");

(F) The Parties shall seek the Court's authorization to compromise and settle the Contested Matters pursuant to, *inter alia,* Rules 9019 and 7023 of the Federal Rules of Bankruptcy Procedure as provided in this Agreement, including, without limitation, under the Consensual Plan and in the amount and under the treatment provided in Section 2(a) herein;

(G) The HHC Official Committees, the Bondholder Proponents, the Debtors and the KKR Entities shall permit the Veil Piercing Claimants to vote in favor of or to reject the Consensual Plan (as Class U-7 creditors); *provided* that such Parties' individual and collective right to assert that the Veil Piercing Claimants (as Class U-7 creditors) are unimpaired under the Consensual Plan and under Section 1124 of the Code is not thereby waived and is preserved;

(H) Notice of this Agreement, the Consensual Plan, the proposed certification of the Settlement Class, the Class U-7 Bar Date and the Confirmation Hearing, in the form(s) approved by the Court (the "Notice"), shall be given to the Veil Piercing Claimants pursuant to an order of the Court in accordance with at least the following:

(1) where possible, the mailing of the Notice to each of the Veil Piercing Claimants at his/her/its address listed in the proofs of claim or schedules of liabilities filed in the Celotex Chapter 11 Case and in the Chapter 11 Cases, and in the case of each person or entity who commenced a legal action against The Celotex Corporation or the Debtors, to each such person's or entity's counsel of record in such action;

(2) the publication of the Notice as directed by the Court; and

(3) the mailing in the manner provided in Section 4(d)(ii)(H)(1) herein of a disclosure statement approved pursuant to Section 1125 of the Code;

(I) The Parties shall recommend to the Court that with respect to those Veil Piercing Claimants referred to in Section 4(d)(ii)(H)(1) herein that one package be mailed to each of them which shall contain, *inter alia:*

(1) notice of the time, date and place of the confirmation hearing on the Plan, and the right and last date to object to confirmation of the Plan;

(2) the Class U-7 ballot and voting instructions;

(3) the disclosure statement referred to in Section 4(d)(ii)(H)(3) herein;

(4) notice of the filing of the Veil Piercing Proof of Claim and the Celotex Proof of Claim;

(5) notice of the certification of the Settlement Class, for settlement purposes only, the appointment of the representative(s) of the Settlement Class and the appointment of counsel for the Settlement Class;

(6) notice of the right to "opt out" of the Settlement Class and the consequence thereof;

(7) notice of the time, date and place of the hearing to approve the Agreement and the settlement contained therein (the "Fairness Hearing");

(8) notice of the right to object to the Agreement, the certification of the Settlement Class, the appointment of the representative(s) of the Settlement Class, the appointment of counsel for the Settlement Class and the granting of the releases to the Released Parties; and

(9) notice of the Class U-7 Bar Date;

(J) The Parties shall recommend to the Court that the Fairness Hearing and the hearing on final certification of the Settlement Class be held simultaneously with or prior to the confirmation hearing on the Plan and that the relief sought therein be granted in one order; and

(K) Without limiting the provisions of Section 4(e) herein, each of the Parties states to the other Parties, after careful consideration, that each believes:

(1) each and all of the Released Parties are among the type of third parties who may receive the benefit of an injunction of the type provided for by Section 524(g) of the Code in the Celotex Chapter 11 Case;

(2) the Settlement Claims that are settled, satisfied, released and discharged pursuant to this Agreement and the Plan are among the type of claims that may be dealt with by an injunction of the type provided for by Section 524(g) of the Code in the Celotex Chapter 11 Case; and

(3) the Settlement Fund is among the type of contributions contemplated under Section 524(g) of the Code.

(e) *Covenants.* The Celotex Corporation, JWC, the Official Celotex Committees and the Veil Piercing Claimants' Representatives each agrees to propose and use its respective best efforts to obtain confirmation of a Chapter 11 plan in the Celotex Chapter 11 Case that includes a provision for an injunction pursuant to Section 524(g) of the Code that shall apply to, cover, protect and benefit, *inter alia,* each and all of the Released Parties in his/her/its respective capacity as a Released Party or an injunction acceptable to the Released Parties that provides for the same protections afforded by Section 524(g) to the Released Parties. Without limiting the foregoing, such Chapter 11 plan in the Celotex Case shall include:

(i) an injunction pursuant to Section 524(g) of the Code that channels all claims being settled herein to a trust contemplated by Section 524(g) of the Code and applies to and covers all of the Released Parties or an injunction acceptable to the Released Parties that provides for the same protections afforded by Section 524(g) to the Released Parties;

(ii) the appointment in the Celotex Chapter 11 Case of a legal representative of the type contemplated by Section 524(g)(5);

(iii) a contribution of the Settlement Fund (together with all earnings and accretions thereto), or such part of the Settlement Fund as found to be fair and equitable by the Celotex Court, to a trust fund established under, or as a result of, a Chapter 11 plan for The Celotex Corporation in the Celotex Chapter 11 Case pursuant to Section 524(g) of the Code or a contribution to a trust which results in the same protections for the Released Parties as those afforded by Section 524(g) of the Code;

(iv) a proposed confirmation order that establishes that the contribution referred to in Section 4(e)(iii) herein shall be found to be a benefit contributed on behalf of each and all of the Released Parties;

(v) a proposed confirmation order that establishes that each and all of the Released Parties comes within the scope of and is covered, protected and benefitted by the injunction referred to in Section 4(e) herein; and

(vi) an injunction pursuant to Section 524(g) of the Code which injunction shall apply to and protect each and all of the Released Parties or an injunction acceptable to the Released Parties that provides for the same protections afforded by Section 524(g) to the Released Parties.

(f) *Announcement.* The Parties shall jointly announce the existence and the terms of this Agreement as soon as possible after this Agreement shall have become effective pursuant to Section 7 herein.

(g) *Use of Evidence From Trial.* The Parties shall support the use by the Court and by the Celotex Bankruptcy Court of the evidence presented during the trial held in the Adversary Proceedings that commenced on December 13, 1993 and the October 17 Hearings in determining that the settlement of the Settlement Claims set forth in this Agreement and in the Plan (i) is fair, equitable and reasonable, and in good faith and constitutes the full and complete settlement, satisfaction, release and discharge of all Settlement Claims, and (ii) to the extent applicable, should be approved as part of confirmation of the Plan.

(h) *Support of Plan.* The Parties shall support the Plan and shall not support, directly or indirectly or through one or more intermediaries, any other proposed plan in respect of any or all of the Debtors or any other settlement of any of the Settlement Claims.

(i) *Attorneys' Fees.* The Parties shall support an application in the Chapter 11 Cases by Caplin & Drysdale, on behalf of itself and the Claimants' Attorneys, for an award of reasonable attorneys' fees and costs in an amount equal to $15 million pursuant to Code Sections 503(b) and/or 1129(a)(4), or otherwise, based on factors including the contingent nature of the representation, the favorable results achieved, the difficulty of the issues presented and the fact that counsel were representing clients brought involuntarily into the Chapter 11 Cases through the Adversary Proceedings.

(j) *Confidentiality.* From and after the Plan Effective Date, the Veil Piercing Claimants' Representatives shall keep confidential, and shall not use in any manner inconsistent with this Agreement, all files and memoranda relating to cases against any or all of the Released Parties based upon, arising out of or relating to the Settlement Claims.

(k) The Celotex Corporation shall (i) promptly seek appropriate approval from the Celotex Bankruptcy Court for authority to be bound by this Agreement, for the support of the Plan by The Celotex Corporation, and for the authorization and direction by the Celotex Bankruptcy Court for The Celotex Corporation to render performance in accordance with the terms and conditions of this Agreement, (ii) request that the Celotex Bankruptcy Court promptly issue an injunction directing that all claims of the type being settled by this Agreement shall attach solely to the Settlement Fund and enjoining and restraining all persons and entities from commencing and/or continuing any suit, arbitration or other proceeding of any type against any and all of the Released Parties arising out of any such claims; (iii) shall provide notice of such motion for approval to the same persons and entities, and in the same manner, but not necessarily in the same package, as the Notice referred to in Section 4(d)(ii)(H)(1) herein, (iv) at the request of the Bondholder Proponents, promptly file the Celotex Proof of Claim against the Debtors for the benefit of the Veil Piercing Claimants and its estate, (v) accept treatment under the Plan of its Settlement Claims against the Debtors pursuant to this Agreement and (vi) if it is the Celotex Settlement Fund Recipient, and consistent with Sections 4(d)(ii)(K)

and 4(e) of this Agreement, receive and hold the Settlement Fund for the exclusive benefit of the Veil Piercing Claimants except to the extent a confirmed plan of reorganization in the Celotex Chapter 11 Case shall direct otherwise, and manage the Settlement Fund in accordance with this Agreement and all applicable orders of the Celotex Bankruptcy Court, and distribute the Settlement Fund pursuant to its confirmed plan of reorganization or an order(s) of the Celotex Bankruptcy Court.

(l) The Parties shall support The Celotex Corporation in its efforts to obtain the approvals from the Celotex Bankruptcy Court that are specified in Section 4(k) of this Agreement.

5. *Representations.*

(a) Apollo represents and warrants that it owns or controls debt obligations of the Debtors in the approximate aggregate principal amount of $160 million.

(b) Lehman Brothers Inc. represents and warrants that it owns or controls debt obligations of the Debtors in the approximate aggregate principal amount of $271 million.

(c) Each of the Veil Piercing Claimants' Representatives represents and warrants that it is authorized to enter into this Agreement on behalf of all of its clients or principals that are or may be Veil Piercing Claimants.

(d) Each of the Debtors represents and warrants that it is authorized to enter into and render performance in accordance with this Agreement, subject only to approval by the Court.

(e) Each of the KKR Entities represents and warrants that it is authorized to enter into and render performance in accordance with this Agreement.

(f) Each of the Management represents and warrants that he is authorized to enter into and render performance in accordance with this Agreement.

(g) The Celotex Corporation represents and warrants that it is authorized to enter into and render performance in accordance with this Agreement, subject only to approval by the Celotex Bankruptcy Court.

(h) The KKR Entities represent and warrant that collectively they own approximately 91% of the issued and outstanding Old Common Stock.

(i) The members of the Signing Management severally but not jointly represent that they each own the number of shares of Old Common Stock set forth opposite their respective names on Exhibit E hereto.

6. *[INTENTIONALLY OMITTED]*

7. *Effectiveness of this Agreement.*

(a) The Amended Agreement became effective by its terms (without the execution thereof by any Existing Equityholder or by JWC). The Amended Agreement shall be amended and restated and become effective as set forth in this Agreement only upon the satisfaction of the following conditions on or prior to the Plan Effective Date:

(i) This Agreement shall have been executed by all of the Parties; and

(ii) The Celotex Bankruptcy Court shall have entered an order (A) approving this Agreement and (B) authorizing and directing The Celotex Corporation to render performance in accordance with the terms and conditions of this Agreement.

(b) The Bondholder Proponents, in their sole and exclusive discretion prior to the Plan Effective Date, may waive any or all of the provisions contained in Section 7(a)(i) herein.

(c) Prior to the satisfaction of all of the foregoing conditions, the Amended Agreement shall remain in full force and effect in accordance with its terms.

8. *Termination.*

This Agreement shall terminate upon the earlier to occur of the following:

(a) Upon the giving of a notice by (i) the Bondholder Proponents, (ii) the Debtors or (iii) the Veil Piercing Claimants' Representatives and The Celotex Corporation, to the others at any time after an order shall have been entered which shall have become a Final Order that (x) disapproves this Agreement or the Plan substantially in its entirety provided that such disapproval shall not be based on the failure of any or all of the conditions contained in Section 10.1(a) or 10.1(b) of the Consensual Plan, (y) confirms a plan of reorganization in any or all of the Chapter 11 Cases other than the Plan or (z) finds or declares that the Veil Piercing Claims are without merit or grants substantially the relief requested in Adversary Proceeding No. 90-0003 and/or 90-0004, except that, the stay, withdrawal or dismissal of any appeal from the Adversary Proceedings pursuant to Section 4(c)(ii) or (iii) herein or otherwise shall not cause either the April 18 Order or the District Court's Order to become a Final Order for the purposes of Section 8(a) herein;

(b) On or after March 31, 1995, provided the Court has not entered the Confirmation Order, upon the giving of a notice by the Bondholder Proponents to the other Parties;

(c) The Bondholder Proponents, the Debtors, The Celotex Corporation and the Veil Piercing Claimants' Representatives shall mutually agree in writing to terminate this Agreement;

(d) In the event of a termination of this Agreement by the Debtors pursuant to Section 8(a) above, the Amended Agreement shall again become valid, binding and enforceable in accordance with its terms with respect to the parties thereto; and

(e) In the event of a termination of this Agreement by the Bondholder Proponents pursuant to Section 8(b) above, the Amended Agreement shall again become valid, binding and enforceable in accordance with its terms with respect to the parties thereto.

9. *Miscellaneous.*

(a) *Fiduciary Duty.* Notwithstanding any other provision contained herein, in the event the Consensual Plan is amended or modified without the consent required by this Agreement, no such Party shall be required to fulfill any of its agreements, rights, duties or obligations hereunder to the extent that such Party has reasonably determined, on advice of counsel, that the fulfillment of such agreement or duty in connection with any amendment to or modification of the Consensual Plan would violate such Party's fiduciary duty arising out of such Party's status as an official committee or a debtor-in-possession in the Chapter 11 Cases or in The Celotex Chapter 11 Case.

(b) *Further Assurances.* Without limiting Section 4 of this Agreement, each Party, as applicable, shall promptly execute and deliver such agreements, certificates, receipts, instruments, acknowledgements and other documents, including, without limitation, the Celotex Proof of Claim and the Veil Piercing Proof of Claim, and to promptly take such actions or cause to be taken such actions, as may be reasonably requested by the Bondholder Proponents (in consultation with the Debtors) to fully and promptly effect Finality and the agreements and other provisions contained herein.

(c) *Amendments.* This Agreement may not be amended except in a writing signed by the Party against which such amendment is sought to be enforced.

(d) *Governing Law.* Except to the extent the Code or Bankruptcy Rules are applicable, the rights and obligations arising under this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

(e) *Headings.* The headings of the Sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.

(f) *Notices.* All notices, requests or demands under or in connection with this Agreement shall be in writing and shall be delivered by hand, sent by recognized overnight courier or sent by telecopier, telex or

similar electronic means to the address or telecopier number of the Party as set forth under its signature hereto, or to such other address or telecopier number as such Party shall provide to all Parties hereto in writing, and shall be deemed sent or given hereunder, in the case of delivery by recognized overnight courier, on the date of actual delivery, in the cases of transmission by telecopier, telex or similar electronic means on the date of actual transmission, and in the case of personal delivery, on the date of actual delivery.

(g) *No Admissions.* No part of this Agreement shall be deemed as an admission of any Party for any purpose, whether in any of the Veil Piercing Proceedings or otherwise.

(h) *No Waiver.* The Parties hereto do not waive or release any rights, claims, defenses or remedies until all conditions of this Agreement and the Plan have been satisfied or waived. Without limiting the foregoing, nothing herein shall constitute an admission or waiver with respect to the Chapter 11 Cases, any Veil Piercing Proceedings or the Celotex Chapter 11 Case.

(i) *No Solicitation.* Notwithstanding any other provision in this Agreement, nothing in this Agreement is intended to be or constitute, and shall not be deemed to be or constitute, a solicitation of any vote or an agreement to vote for or against the Consensual Plan or any other plan of reorganization, and nothing in this Agreement shall impair the right or the ability of any Party to vote for or against, or abstain or refrain from voting with respect to, the Consensual Plan or any other plan of reorganization.

(j) *Extraterritoriality.* It is the intention of the Parties that the settlements and other agreements contained in this Agreement be given application both to claims, causes of action and suits within and without the jurisdiction of the United States of America.

(k) *Successors and Assigns.* This Agreement is intended to bind and inure to the benefit of the Parties and the other signatories, if any, hereof and their respective successors, assigns, heirs, executors, administrators and representatives.

(l) *Complete Agreement.* This document, including the appendix and exhibits hereto, embodies the complete agreement and understanding between the Parties and the other signatories, if any, with respect to the subject matter hereof and, subject to Sections 7(c) and 8(d) and (e) hereof, supersedes and preempts any prior agreement, understanding or representation made by and between any or all of such Parties and the other signatories, if any, whether written or oral, which may have related to the subject matter hereof in any way whatsoever.

(m) *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

CAPLIN & DRYSDALE, Chartered

By: /s/ ELIHU INSELBUCH
Elihu Inselbuch
399 Park Avenue
New York, Ny 10022
(212) 319-7125
(212) 644-6755 (telecopier)
For Itself and the AVDs

BARON & BUDD

By: /s/ FRED BARON

Fred Baron
3102 Oak Lawn Avenue
Suite 1100
Dallas, TX 75219-4281
(214) 521-3605
(214) 520-1181 (telecopier)

NESS MOTLEY LOADHOLT
RICHARDSON & POOLE

By: /s/ JOSEPH RICE

Joseph Rice
P.O. Box 365
Barnwell, SC 29812
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(803) 577-7513 (telecopier)

GREITZER AND LOCKS

By: /s/ GENE LOCKS

Gene Locks
1500 Walnut Street
Philadelphia, PA 19102
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(215) 985-2960 (telecopier)

AKIN, GUMP, STRAUSS,
HAUER & FELD, L.L.P.

By: /s/ STEVEN M. PESNER

Steven M. Pesner, P.C.
65 East 55th Street, 33rd Flr.
New York, NY 10022
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(212) 872-1003 (telecopier)
For Apollo

PAUL, WEISS, RIFKIND,
WHARTON & GARRISON

By: /s/ ROBERT DRAIN

Robert Drain
1285 Avenue of the Americas
New York, NY 10019-6064
(212) 373-3236
(212) 373-2366 (telecopier)
For Lehman Brothers Inc.

BUSH ROSS GARDNER WARREN
& RUDY, P.A.

By: /s/ JEFFREY W. WARREN

Jeffrey W. Warren
220 South Franklin Street
Tampa, FL 33602
(813) 224-9255
(813) 223-9620 (telecopier)
For The Celotex Corporation

HOYT, COLGAN & ANDREU, P.A.

By: /s/ MICHAEL B. COLGAN

Michael B. Colgan
2900 Barnett Plaza
101 E. Kennedy Blvd.
Tampa, FL 33602
(813) 229-6688
(813) 229-3331 (telecopier)
For Jim Walter Corporation, on behalf of itself and the JWC Companies, G.N. Drummond, Sr., E.A. Drummond, Drummond Company, Inc., Jasper Corp. and its shareholders, William B. Long and Walter F. Johnsey

STROOCK & STROOCK & LAVAN

By: /s/ DANIEL H. GOLDEN

Daniel H. Golden
Seven Hanover Square
New York, NY 10004-2594
(212) 806-5423
(212) 806-6606 (telecopier)
For HHC Bondholders Committee

JONES, DAY, REAVIS & POGUE

By: /s/ MARC S. KIRSCHNER

Marc. S. Kirschner
599 Lexington Avenue
New York, NY 10025
(212) 326-3939
(212) 755-7306 (telecopier)
For HHC Creditors Committee

JOHNSON, BLAKELY, POPE, BOKOR, RUPPEL & BURNS, P.A.

By: /s/ CHARLES M. TATELBAUM

Charles M. Tatelbaum
911 Chestnut Street
Clearwater, FL 33616
(813) 461-1818
(813) 441-8617 (telecopier)
For Celotex Unsecured Trade Creditors Committee

KOZYAK TROPIN & THROCKMORTON, P.A.

By: /s/ JOHN W. KOZYAK

John W. Kozyak
200 S. Biscayne Boulevard
Suite 2850
Miami, FL 33131-2335
(305) 372-1800
(305) 372-3508 (telecopier)
For Celotex Asbestos Property Damage Claimants Committee

HONIGMAN MILLER SCHWARTZ
& COHN

By: /s/ SHELDON S. TOLL
Sheldon S. Toll
2290 First National Building
Detroit, MI 48226
For Celotex Asbestos Bodily Injury
Claimants Committee
(313) 256-7800
(313) 962-0176 (telecopier)

HILLSBOROUGH HOLDINGS CORPORATION,
BEST INSURORS, INC.,
BEST INSURORS OF MISSISSIPPI, INC.,
COAST TO COAST ADVERTISING, INC.,
COMPUTER HOLDINGS CORPORATION,
DIXIE BUILDING SUPPLIES,
HAMER HOLDINGS CORPORATION,
HAMER PROPERTIES, INC.,
HOMES HOLDINGS CORPORATION,
JIM WALTER COMPUTER SERVICES, INC.,
JIM WALTER HOMES, INC.,
JIM WALTER INSURANCE SERVICES, INC.,
JIM WALTER RESOURCES, INC.,
JIM WALTER WINDOW COMPONENTS, INC.,
JW ALUMINUM COMPANY,
JW RESOURCES, INC.,
JW RESOURCES HOLDINGS CORPORATION,
J.W.I. HOLDINGS CORPORATION,
J.W. WALTER, INC.,
JW WINDOW COMPONENTS, INC.,
LAND HOLDINGS CORPORATION,
MID-STATE HOMES, INC.,
MID-STATE HOLDINGS CORPORATION,
RAILROAD HOLDINGS CORPORATION,
SLOSS INDUSTRIES CORPORATION,
SOUTHERN PRECISION CORPORATION,
UNITED LAND CORPORATION,
UNITED STATES PIPE AND FOUNDRY COMPANY,
U.S. PIPE REALTY, INC.,
VESTAL MANUFACTURING COMPANY,
WALTER HOME IMPROVEMENT, INC.
WALTER INDUSTRIES, INC. and
WALTER LAND COMPANY

By: /s/ KENNETH J. MATLOCK
Name: Kenneth J. Matlock
Title: Vice President

JWC ASSOCIATES, L.P.
JWC ASSOCIATES II, L.P.
KKR PARTNERS II, L.P.
By: KKR ASSOCIATES, L.P., a general partner

By: /s/ MICHAEL T. TOKARZ
Name: Michael T. Tokarz
Title: A general partner

SIGNING MANAGEMENT

/s/ JAMES W. WALTER
James W. Walter

/s/ KENNETH J. MATLOCK
Kenneth J. Matlock

/s/ WILLIAM H. WELDON
William H. Weldon

/s/ GILBERTO ALEMAN
Gilberto Aleman

/s/ W. KENDALL BAKER
W. Kendall Baker

/s/ WILLIAM CARR
William Carr

/s/ JOSEPH F. HEGERICH
Joseph F. Hegerich

/s/ WAYNE HORNSBY
Wayne Hornsby

/s/ KENNETH E. HYATT
Kenneth E. Hyatt

/s/ DONALD M. KURUCZ
Donald M. Kurucz

/s/ ROBERT W. MICHAEL
Robert W. Michael

/s/ TIMOTHY M. PARISO
Timothy M. Pariso

/s/ MICHAEL ROBERTS
Michael Roberts

/s/ DENNIS M. ROSS
Dennis M. Ross

/s/ SAM J. SALARIO

Sam J. Salario

/s/ JAMES M. SIMS

James M. Sims

/s/ WILLIAM N. TEMPLE

William N. Temple

/s/ DAVID L. TOWNSEND

David L. Townsend

Appendix A

A. *"Affiliate"* shall have the meaning set forth in Rule 501, promulgated under the Securities Act of 1933, as amended.

B. *"Apollo"* shall mean AIF II, L.P., certain affiliates (as defined in the Plan) of AIF II, L.P. and certain accounts managed or controlled by such affiliates.

C. *"Attorneys' Fees Differential"* shall mean the amount equal to the difference between $15 Million and the actual amount of attorneys' fees and costs awarded by the Court in the Chapter 11 Cases to Caplin & Drysdale on behalf of itself and the Claimants' Attorneys (as referred to in Section 4(i) herein).

D. *"Celotex"* shall mean The Celotex Corporation and/or any predecessor thereof or successor thereto and all of their respective present and former parents, Affiliates and subsidiaries, other than JWC and any and all of the JWC Companies.

E. *"Celotex Proof of Claim"* shall mean, consistent with Section 4 hereof, a proof(s) of claim(s) filed in the Chapter 11 Cases asserting that any or all of the Debtors are or may be liable for any or all claims or Demands which Celotex holds or which may be asserted against Celotex in the future, direct, indirect or derivative, caused by products manufactured, sold or distributed by Celotex, or otherwise (i) based on any of the Veil Piercing-Related Issues and/or (ii) based on the LBO-Related Issues, such proof(s) of claim(s) to be in form and substance reasonably acceptable to the Bondholder Proponents and settled, satisfied, released and discharged by distribution of the Settlement Fund to the Celotex Settlement Fund Recipient.

The liability of the Debtors described in the Celotex Proof of Claim shall include (i) claims in the nature of or sounding in piercing the corporate veil, alter ego, alternate entity, successor liability, conspiracy, instrumentality, agency and any other theory of law, equity or admiralty that seeks to hold the stockholder of a corporation liable for all or part of any claims against that corporation; (ii) claims resulting from or arising out of or relating to the LBO, actions taken in contemplation of the LBO or any contemporaneous or subsequent transaction(s) entered into as a part of, arising out of, or relating to the LBO or any or all of the LBO transaction(s) or transfer(s); and (iii) claims resulting or arising from the transfer of assets of Celotex for less than reasonably equivalent value to the extent available remedies exist in favor of Celotex as to such transfers, including, without limitation, the Settlement Claims.

F. *"Celotex Settlement Fund Recipient"* shall mean The Celotex Corporation for the exclusive benefit of the Veil Piercing Claimants, or such other person(s) or entity(ies) designated by an order entered by the Celotex Bankruptcy Court which becomes a Final Order to act in the place and stead and on behalf of The Celotex Corporation, including, without limitation, any entity established pursuant to a confirmed plan of reorganization for The Celotex Corporation to hold, manage, liquidate, distribute or otherwise assume responsibility for and the liabilities of the Settlement Fund and any liabilities arising therefrom or in connection therewith.

G. *"Chapter 11 Cases"* shall mean each of the reorganization cases of the Debtors listed in the caption on the cover page of the Consensual Plan, all of which are being jointly administered under Case No. 89-9715-8P1.

H. *"Code"* shall mean Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, together with all amendments, modifications and replacements as the same exist on any relevant date to the extent applicable to the Chapter 11 Cases.

I. *"Confirmation Date"* shall mean the date on which the Court enters the Confirmation Order.

J. *"Confirmation Order"* shall mean the order(s) of the Court confirming the Plan and approving the transactions and settlements contemplated therein.

K. *"Demand"* shall mean a demand for or right to payment, present or future, that was not a claim during the proceedings leading to confirmation of the Plan, arising out of the same or similar conduct or events that gave rise to the Settlement Claims.

L. *"Existing Equityholder"* shall mean each holder (record or beneficial) of an Old Common Stock Interest; *provided, that,* in the event that the Court shall enter an order finding (i) that such holder acted in bad faith so as to materially breach this Agreement or to obstruct confirmation of the Consensual Plan by the date determined by operation of Section 10.1(a) of the Consensual Plan or the occurrence of the Plan Effective Date by March 31, 1995, or such later date as may be determined by operation of Section 10.2(i) of the Consensual Plan and (ii) that denial of the benefits afforded an Existing Equityholder under this Agreement and the Consensual Plan is an appropriate remedy for such misconduct, then such Holder shall not be an Existing Equityholder. If each of the KKR Entities and the Signing Management are signatories to this Agreement, then all other holders (record or beneficial) of the Old Common Stock shall be deemed to be a beneficiary of this Agreement as an Existing Equityholder.

K. *"Final Order"* shall mean an order, judgment, ruling or decree issued and entered by the Court or by any state or other federal court or other tribunal located in one of the states, territories or possessions of the United States of America or the District of Columbia that has not been reversed, stayed, modified or amended and as to which the time to appeal or petition for reargument, rehearing or certiorari has expired, and as to which no appeal, reargument, petition for certiorari or rehearing is pending or as to which any right to appeal, reargue, petition for certiorari or seek rehearing has been waived in writing or, if an appeal, reargument, petition for certiorari or rehearing thereof has been denied, the time to take any further appeal or to seek certiorari or further reargument or rehearing has expired; *provided that,* the stay, withdrawal or dismissal of any appeal from the Adversary Proceedings pursuant to Section 4(c)(ii) or (iii) herein or otherwise shall not cause either the April 18 Order or the District Court's Order to become a Final Order for the purposes of Section 8(a) herein.

M. *"HHC Bondholders Committee"* shall mean the Official Bondholders Committee of the Debtors appointed by the United States Trustee in the Chapter 11 Cases pursuant to Section 1102 of the Code, as such Committee may be constituted from time to time.

N. *"HHC Creditors Committee"* shall mean the Official Committee of General Unsecured Creditors of the Debtors appointed by the United States Trustee in the Chapter 11 Cases pursuant to Section 1102 of the Code, as such Committee may be constituted from time to time.

O. *"LBO-Related Issues"* shall mean and be the collective reference to all theories or bases of recovery recognizable at law, in equity or in admiralty under the laws of any jurisdiction that are held or asserted by or that may be held or asserted by any of the Debtors or any holder of a claim or interest in the Chapter 11 Cases, in respect of such claim or interest, directly or indirectly based upon, arising out of or in connection with the LBO or any of the LBO transactions or transfers consummated in contemplation of or as a part thereof or in connection therewith, including, without limitation, the acquisition of the capital stock of any of the Debtors, the consummation of the transactions contemplated by the Agreement and Plan of Merger dated as of August 12, 1987, and the financing, reorganization, asset disposition and other transactions consummated as a part thereof or in connection therewith, whether based upon theories of piercing the corporate veil of any Debtor or its predecessor and/or any of its respective present or former parents, subsidiaries or Affiliates, alter ego, alternate entity, agency, instrumentality, the transfer (fraudulent or otherwise) of any assets or property by any Debtor (or other non-Debtor that had at any time been an Affiliate of any Debtor), preference, fraud, conspiracy, substantive consolidation, successor liability, or any other legal or equitable theory whatsoever.

P. *"New Common Stock"* shall mean the common stock, par value $.01 per share, of Walter Industries, Inc. to be issued on the Plan Effective Date. The New Common Stock held by the Celotex Settlement Fund Recipient or by any creditor of The Celotex Corporation, in its capacity as such, shall be voted in the same percentage as the shares of the other New Common Stock, taken together, is voted (based upon the number of votes cast).

Q. [INTENTIONALLY OMITTED]

R. *"New Common Stock Value Per Share"* shall mean the New Common Stock Value divided by 50 million, representing the number of shares of New Common Stock to be issued and outstanding on the Plan

Effective Date before considering any additional distribution under either Section 3.21 or Section 3.26(b)-(c) of the Consensual Plan.

S. *"Old Common Stock"* shall mean the outstanding common stock, $0.01 par value per share, of Walter Industries, Inc., as the surviving corporation of the merger between Hillsborough and the Old Walter Industries.

T. *"Old Common Stock Interest"* shall mean all interests in the Old Common Stock exclusive of any shares of such stock held in treasury, which is registered as of the Plan Effective Date in such stock register as may be maintained by or on behalf of Walter Industries.

U. *"Original Plan Proponents"* shall mean Apollo, Lehman Brothers, Inc., the HHC Bondholders Committee and the HHC Creditors Committee.

V. *"Plan Effective Date"* shall mean the first business day all conditions set forth in Section 10.2 of the Consensual Plan have been satisfied or waived but which shall not be less than eleven days after the date on which the Confirmation Order is entered.

W. *"Qualified Securities"* shall have the meaning assigned to that term (or another term serving the same or a similar function) under the Plan.

X. *"Released Parties"* shall mean each and every Party and each and all of its present and former parents, subsidiaries, shareholders (record or beneficial), partners (general and limited), officers, directors, employees, agents, advisors, Affiliates and representatives in each case in such person's or entity's capacity as a holder of a claim or interest in the Chapter 11 Cases, as a Plan proponent, if applicable, as an Existing Equityholder or in any other capacity, including, without limitation, Kohlberg Kravis Roberts & Co., KKR Associates, Henry R. Kravis, George R. Roberts, Paul E. Raether, Michael T. Tokarz, Perry Golkin, G.N. Drummond, Sr., E.A. Drummond, Drummond Company, Inc., Jasper Corp. and its shareholders, William B. Long and Walter F. Johnsey (it being understood that (i) The Celotex Corporation and its subsidiaries are not included in any capacity, but that each and all of the respective present and former shareholders (record and beneficial), partners (general and limited), officers, directors, employees, agents, advisors, Affiliates and representatives of The Celotex Corporation and its subsidiaries which are not The Celotex Corporation or its subsidiaries are specifically included and (ii) the JWC Companies, G.N. Drummond, Sr., E.A. Drummond, Drummond Company, Inc., Jasper Corp. and its shareholders, William B. Long and Walter F. Johnsey are not Released Parties regarding any of their respective conduct arising out of a transaction(s) or an act(s) occurring after May 26, 1988).

Y. *"Settlement Claims"* shall mean and be the collective reference to all Veil Piercing Claims and all claims and causes of action held or assertable by the Veil Piercing Claimants based upon LBO-Related Issues.

Z. *"Subordinated Note Claims"* shall mean, collectively, the Senior Subordinated Note Claims, the 17% Subordinated Note Claims, the 10⅞% Subordinated Debenture Claims, the 13⅛% Subordinated Note Claims and the 13¾ Subordinated Debenture Claims (as each of such terms is defined in the Consensual Plan).

AA. *"Veil Piercing Claimants"* shall mean The Celotex Corporation and any other person or entity who may have or may assert in the future a Veil Piercing Claim.

AB. *"Veil Piercing Claims"* shall mean and be the collective reference to all existing claims and Demands and all claims and Demands that may be asserted in the future, whether known or unknown, against any or all of the Debtors or any other Released Party based upon, arising out of or in connection with any of the Veil Piercing-Related Issues, but shall not include any claim based upon a valid, binding and enforceable obligation by any or all of the Debtors to indemnify any person or entity.

AC. *"Veil Piercing New Common Stock Amount"* shall mean that number of shares of New Common Stock having an aggregate Veil Piercing New Common Stock Value Per Share equal to the Veil Piercing Residual Claims Amount.

AD. *"Veil Piercing New Common Stock Value"* shall mean $2,525,000,000, less the sum of (a) $902 million and (b) the aggregate principal amount of Qualified Securities to be distributed under the terms of the Consensual Plan on the Plan Effective Date.

AE. *"Veil Piercing New Common Stock Value Per Share"* shall mean the Veil Piercing New Common Stock Value divided by 50 million, representing the number of shares of New Common Stock to be issued and outstanding on the Effective Date before considering any additional distribution under either Section 3.21 or Section 3.26(b)-(c) of the Consensual Plan.

AF. *"Veil Piercing Proceedings"* shall mean and be the collective reference to all lawsuits, actions and other judicial and administrative proceedings that have been, or may in the future be, instituted against any person or entity that directly or indirectly seek or could seek any remedy from any or all of the Released Parties based upon, arising out of or in connection with any of the Veil Piercing-Related Issues and/or Settlement Claims.

AG. *"Veil Piercing Proof of Claim"* shall mean, consistent with Section 4 hereof, a proof(s) of claim(s) filed in the Chapter 11 Cases by such individual(s) and/or entity(ies) (other than AVDs) as shall be acceptable to the Bondholder Proponents (after consultation with the Debtors) on behalf of the Settlement Class asserting that any or all of the Debtors are or may be liable for the Settlement Claims, to be filed upon the request of the Bondholder Proponents and solely in connection with and for the purpose of the confirmation of the Plan, the approval of this Agreement and the realization of Finality, which proof(s) of claim(s) shall be in form and substance reasonably acceptable to the Bondholder Proponents (in consultation with the Debtors) and which proof(s) of claim(s) will be settled, satisfied, released and discharged by distribution of the Settlement Fund to the Celotex Settlement Fund Recipient.

AH. *"Veil Piercing-Related Issues"* shall mean and be the collective reference to all theories or bases of liability or recovery recognizable at law, in equity or in admiralty, under the laws of any jurisdiction, directly or indirectly based upon, arising out of or in connection with asbestos, any product manufactured, sold or distributed by Celotex, any other liability or obligation of any nature of Celotex, or any act or failure to act by Celotex or any officer, director, employee, agent or other representative of Celotex, whether based upon alter ego, agency, alternate entity, instrumentality, successor liability, conspiracy, indemnification, contribution, any theories of piercing the corporate veil of any Debtor or its predecessor and/or any and all of its respective present or former parents, subsidiaries or Affiliates, or the transfer (fraudulent or otherwise) of any assets or property to or by any Debtor (or other non-Debtor that had at any time been a parent, subsidiary or Affiliate of any Debtor or its predecessor), whether in connection with any of the transactions constituting or relating to the financing or the acquisition of any of the Debtors or any of their respective predecessors, parents, subsidiaries or Affiliates by the current holders of Old Common Stock, the divestiture by Celotex of any of its assets or property at any time, or in connection with any other transactions, events or circumstances, or otherwise; *provided, however,* that the Veil Piercing-Related Issues shall not include any of the LBO-Related Issues.

AI. *"Veil Piercing Residual Claims Amount"* shall mean the excess of $375,000,000 over the aggregate principal amount of the Qualified Securities to be distributed on account of the Settlement Claims under the Plan.

AJ. *"Veil Piercing Settlement"* shall mean the full and complete settlement, satisfaction, release and discharge of all Settlement Claims and Veil Piercing Proceedings as provided in this Agreement and the Plan.

EXHIBIT A

, 1994

Re: *Hillsborough Holdings Corporation, et al.*

The undersigned law firm: (1) represents one or more persons or entities with Veil Piercing Claims [as defined in the Second Amended and Restated Veil Piercing Settlement Agreement dated as of November 22, 1994 ("VPSA")]; (2) hereby agrees on behalf of itself, each of its lawyers, and each of its clients who have such claims, irrevocably to comply with, assent to and support the VPSA and the Plan (as defined in the VPSA) and (3) to promptly become a signatory to the VPSA upon the request of the Bondholder Proponents (as defined in the VPSA).

Very truly yours,

[LAW FIRM]

By: _____

A Member of the Firm

EXHIBIT B

[Consensual Plan]

ATTACHED AS EXHIBIT 1
TO THE SUPPLEMENT TO DISCLOSURE STATEMENT

EXHIBIT C

[Registration Rights Agreement]

ATTACHED AS EXHIBITS 4 AND 5 TO THE CONSENSUAL PLAN

EXHIBIT D

[Tag-Along Rights Agreement]

TAG-ALONG

AND

VOTING AGREEMENT

by and among

THE STOCKHOLDERS
NAMED HEREIN

Dated as of , 1995

TABLE OF CONTENTS

TAG-ALONG AND VOTING AGREEMENT

TAG-ALONG AND VOTING AGREEMENT dated as of , 1995 by and among the stockholders listed on the signature pages hereof (in the case of The Celotex Corporation, on behalf of the Celotex Entity (as defined herein)) (each a "party" and together, the "parties"; together with their respective Restricted Transferees (as defined in Section 2(h)), heirs and successors, the "Stockholders").

This Agreement is being entered into in connection with the Second Amended and Restated Veil Piercing Settlement Agreement, dated as of November 22, 1994, by and among, *inter alia*, the Debtors (as defined therein), the KKR Entities (as defined therein), the Signing Management (as defined therein), the HHC Bondholders Committee (as defined therein), the HHC Creditors Committee (as defined therein), Lehman Brothers Inc., a corporation ("Lehman Brothers"), AIF II, L.P. a limited partnership ("AIF"), certain Affiliates of AIF and certain accounts managed or controlled by such Affiliates ("AIF Affiliates" and, together with AIF, "Apollo"), The Celotex Corporation, a corporation ("Celotex"), Jim Walter Corporation, certain attorneys and agents signatory thereto and/or listed on Exhibit C attached thereto representing persons and entities that hold Settlement Claims (as defined therein), the Celotex Committee of Unsecured Creditors, the Celotex Asbestos Property Damage Claimants Committee and the Celotex Asbestos Bodily Injury Claimants Committee (the "Settlement Agreement"), and is attached as an exhibit thereto. All capitalized terms not otherwise defined herein have the meaning ascribed to them in the Settlement Agreement.

Each Stockholder will acquire that number of shares of New Common Stock, par value $.01 per share, of Walter Industries, Inc., a Delaware corporation (the "Company") specified with respect to such Stockholder in Schedule 1 hereto pursuant to the Amended Joint Plan of Reorganization for the Debtors dated as of December 9, 1994 (the "Consensual Plan").

In consideration of the premises and the mutual agreements set forth herein, the parties hereto hereby agree as follows:

1. *Definitions.* As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"Affiliate" of a Person means any Person that controls, is under common control with, or is controlled by, such other Person. For purposes of this definition, "control" means the ability of one Person to direct the management and policies of another Person.

"Bankruptcy Court" means (i) the United States Bankruptcy Court for the Middle District of Florida, Tampa Division with jurisdiction over the Chapter 11 Cases (as defined in the Consensual Plan) (or such other court as may be administering the Chapter 11 Cases), (ii) to the extent of any withdrawal of the reference made pursuant to 28 U.S.C. § 157, the United States District Court for the Middle District of Florida, and (iii) with respect to any particular proceeding within a Chapter 11 Case, any other court which may be exercising jurisdiction over such proceeding.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are required or authorized by law to be closed.

"Celotex Entity" means the Celotex Settlement Fund Recipient as defined in the Settlement Agreement.

"Commission" means the U.S. Securities and Exchange Commission.

"Effective Date" means the Effective Date of the Consensual Plan, as defined therein.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or any similar or successor statute.

"Exempt Transaction" means a Transfer (i) of Restricted Common Stock effected on a national securities exchange or the National Association of Securities Dealers, Inc. Automated Quotation System or through a registered broker-dealer; (ii) made by a Stockholder to an Affiliate of that Stockholder;

(iii) made pursuant to a Public Offering; (iv) in the case of the Celotex Entity only, made to any other Celotex Entity or made from the Celotex Entity to holders of Settlement Claims; or (v) made pursuant to a call option or other purchase right described in Section 2(f) of the Settlement Agreement.

"Person" means any individual, corporation, partnership, firm, joint venture, association, joint stock company, trust, unincorporated organization, governmental or regulatory body or subdivision thereof or other entity.

"Public Offering" means a public offering and sale of Common Stock pursuant to an effective registration statement under the Securities Act.

"Restricted Common Stock" means the shares of New Common Stock issued to the Stockholders on the Effective Date; *provided,* that any share of New Common Stock shall cease to be Restricted Common Stock upon a Transfer of such Common Stock (i) in an Exempt Transaction or (ii) in compliance with the provisions of Sections 2(a) through 2(g) hereof.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar or successor statute.

"Transfer" means any transfer, sale, assignment, or other disposition. *"Transferor"* and *"Transferee"* have correlative meanings.

2. *Tag-along Rights.* (a) In the event that a Stockholder (the "Selling Stockholder") proposes to enter into a transaction to Transfer any of its Restricted Common Stock to a third party (the "Third Party Transferee"), other than pursuant to an Exempt Transaction, the Selling Stockholder shall offer to include in such transaction (the "Tag-along Transaction") the number of shares of Restricted Common Stock owned by each of the other Stockholders determined in accordance with this Section 2. In connection with any proposed Tag-along Transaction, the Selling Stockholder will send written notice (the "Selling Stockholder Notice") to each of the other Stockholders setting forth in reasonable detail the terms of the Tag-along Transaction, including, without limitation, (i) the identity of the Selling Stockholder, (ii) the name and address of the Third Party Transferee, (iii) the total number of shares that the Third Party Transferee proposes to purchase, (iv) the amount and form of consideration, (v) the date on which the Tag-along Transaction is expected to close and (vi) the conditions, if any, to which the Tag-along Transaction is subject. At any time within 15 days after the receipt of the Selling Stockholder Notice, each of the other Stockholders may, subject to Section 2(g) below, in its sole discretion, elect to participate in the Tag-along Transaction by sending to the Selling Stockholder written notice (the "Other Stockholder Notice") stating that such other Stockholder has elected to participate and setting forth (i) the number of shares of Restricted Common Stock held by such other Stockholder and (ii) the maximum number of shares that such other Stockholder desires to include in the Tag-along Transaction. Subject to the provisions of this Section 2, if the Selling Stockholder shall receive an Other Stockholder Notice from one or more of the other Stockholders within the time specified in the sentence above, the Selling Stockholder shall cause the maximum number of shares of Restricted Common Stock specified in such Other Stockholder Notice or Notices to be included in the Tag-along Transaction; provided that if the total number of shares of Restricted Common Stock of all Stockholders electing to participate in the Tag-along Transaction, including the Selling Stockholder (each a "Participating Stockholder"), shall exceed the number of shares that the Third Party Transferee proposes to purchase, then each Participating Stockholder shall be entitled to include in the Tag-along Transaction up to the number of shares determined pursuant to subsection 2(c) below. Notwithstanding the foregoing, nothing herein shall obligate the Selling Stockholder to consummate any proposed Tag-along Transaction, and, in the event that the Selling Stockholder determines not to consummate any Tag-along Transaction, the other Stockholders will not have any rights to participate therein, regardless of whether any of other Stockholders has given an Other Stockholder Notice with respect thereto.

(b) If within 15 days after the receipt of the Selling Stockholder Notice any of the other Stockholders has not given the Other Stockholder Notice, such other Stockholder shall be deemed to have waived any and all rights with respect to the sale or other disposition of shares in the Tag-along

Transaction described in the Selling Stockholder Notice. The failure by any other Stockholder to give an Other Stockholder Notice shall not constitute a waiver of any rights hereunder with respect to any Tag-along Transaction other than that described in the Selling Stockholder Notice.

(c) Each Participating Stockholder shall have a right to sell a number of shares equal to the product of (i) the total number shares that the Third Party Transferee has offered to acquire, as set forth in the Selling Stockholder Notice, multiplied by (ii) a fraction, the numerator of which is the Percentage Interest of such Participating Stockholder and the denominator of which is the aggregate Percentage Interests of all Participating Stockholders. As used herein, the term "Percentage Interest" shall mean, with respect to any Participating Stockholder, the percentage (expressed as a decimal rounded to the nearest one hundredth) then held by such Participating Stockholder of all outstanding Restricted Common Stock.

(d) The Transfer by each of the other Stockholders pursuant to this Section 2 shall be on the same terms and conditions, including the per share price and the date of Transfer, as the Transfer by the Selling Stockholder and as stated in the Selling Stockholder Notice provided to the other Stockholders.

(e) The Selling Stockholder shall notify the other Stockholders who have exercised their tag-along rights pursuant to this Section 2 within five days of the end of the 15-day period referred to in subsection 2(a), of the number of shares of Restricted Common Stock each Stockholder has been allocated to sell. Each other Stockholder, within five days of receipt of such notice, shall deliver to the Selling Stockholder the certificate or certificates representing the shares to be sold in the Tag-along Transaction by such other Stockholder, together with a limited power-of-attorney authorizing the Selling Stockholder to sell or otherwise dispose of the shares to be sold pursuant to the terms of the Selling Stockholder Notice. If any other Stockholder fails to deliver stock certificates within the time specified in the immediately preceding sentence, such other Stockholder shall be deemed to have waived any and all rights with respect to the sale or other disposition of the shares in the Tag-along Transaction described in the Selling Stockholder Notice.

(f) Simultaneously with the consummation of Transfer of the shares of the Selling Stockholder and the shares of the other Stockholders who have exercised their tag-along rights pursuant to this Section 2, the Selling Stockholder shall notify the other Stockholders who have exercised their tag-along rights pursuant to Section 2 that the consummation of such Tag-along Transaction has occurred and shall promptly, but in any event not later than 3 Business Days thereafter, remit to such other Stockholders the total sales price of the shares of such other Stockholders sold pursuant thereto, net of such other Stockholder's pro rata share of all out-of-pocket fees, expenses and costs incidental to such sale and shall furnish such other evidence of the completion and time of completion of such Transfer and the terms thereof as may be reasonably requested by such other Stockholders.

(g) Notwithstanding any other provision of this Section 2, if the Selling Stockholder is Lehman Brothers or Apollo, neither Lehman Brothers nor Apollo shall have any tag-along rights pursuant to this Section 2 with respect to such Transfer.

(h) In the case of any Exempt Transfer described in clause (ii) or (iv) of the definition of Exempt Transfer herein, the Transferee of any shares of Restricted Common Stock pursuant to such Exempt Transfer (a "Restricted Transferee") shall, prior to such Transfer, execute an instrument agreeing to be bound by all of the terms and provisions of this Agreement as if such Restricted Transferee had been an original signatory hereto, whereupon such Restricted Transferee thereafter shall have all of the rights and obligations of the transferring Stockholder under this Agreement.

3. *Voting of Common Stock Owned by the Celotex Entity.* In any vote or action by written consent by the holders of New Common Stock voting or taking action by written consent, the Celotex Entity will, and will cause each of its Affiliates, if any, to vote or execute written consents with respect to

their shares of New Common Stock, in proportion to the votes cast or consents executed and delivered by the other holders of New Common Stock.[1]

4. *Representations and Warranties of the Parties.* Each Stockholder represents and warrants, subject to obtaining any necessary approvals of the Bankruptcy Court and the Celotex Bankruptcy Court with respect to the Settlement Agreement and the Consensual Plan, to each other that:

4.1 *Authority.* The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of such Stockholder.

4.2 *Binding Obligation.* It has duly and validly executed and delivered this Agreement and this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

4.3 *No Conflicts/Approvals.* The execution, delivery and performance of this Agreement will not conflict with or result in the breach or violation of any of the terms or conditions of, or constitute (or with notice or lapse of time or both, would constitute) a default under, (i) its constituting documents; (ii) any instrument, contract or other agreement by or to which it is a party or its assets are bound or subject; (iii) any statute or regulation, order, judgment or decree of any court or governmental or regulatory body; or (iv) any license, permit, order or approval of any governmental or regulatory body respecting its business. No approval or consent of any foreign, Federal, state, county, local or other governmental or regulatory body or court and no approval or consent of any other Person is required in connection with the execution, delivery or performance of this Agreement by it.

5. *Legends.* Except as otherwise permitted by this Section 5, the parties hereto shall cause the Company to legend each certificate evidencing outstanding shares of the New Common Stock issued to any Stockholder with the following legend:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THE PROVISIONS OF THE STOCKHOLDERS AGREEMENT DATED AS OF , 1994 BY AND AMONG THE HOLDER AND THE OTHER STOCKHOLDERS NAMED THEREIN, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER.

If any shares of New Common Stock issued to any Stockholder cease to be Restricted Common Stock, the parties hereto shall cause the Company, upon the written request of the holder thereof, to issue to such holder a new certificate evidencing such shares without the legend above endorsed thereon.

6. *Other Securities.* The terms "New Common Stock" and "Restricted Common Stock" include any securities of the Company issued or issuable with respect to any shares of the foregoing by way of a dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise.

7. *Further Assurances.* Each of the parties hereto shall execute such documents and other papers and perform such further acts as may be reasonably required or desirable to carry out the provisions of this Agreement and the transactions contemplated hereby.

8. *Headings.* The headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provisions hereof.

9. *Remedies.* Each Stockholder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement.

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[1] Appropriate modifications to be made to rights and obligations of the Celotex Entity if a second class of Common Stock is authorized, as contemplated by footnote 1 to the form of Restated Certificate of Incorporation attached to the Consensual Plan.

10. *Entire Agreement.* This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and there are no restrictions, promises, representations, warranties, covenants, or undertakings with respect to the subject matter hereof, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof.

11. *Notices.* Any notices or other communications to be given hereunder by any party to another party shall be in writing, shall be delivered personally, by telecopy, by certified or registered mail, postage prepaid, return receipt requested, or by Federal Express or other comparable delivery service, to the address of the party set forth on Schedule 2 hereto or to such other address as the party to whom notice is to be given may provide in a written notice to the other parties hereto, a copy of which shall be on file with the Secretary of the Company. Receipt of notice shall be effective when delivered if given personally, when receipt is acknowledged if telecopied, three days after mailing if given by registered or certified mail as described above and, one business day after deposit if given by Federal Express or comparable delivery service. Notwithstanding the foregoing, none of Lehman Brothers, Apollo or any of their respective Restricted Transferees shall be obligated to give any notice to the holders of Settlement Claims other than the Celotex Entity, and any notice given to the Celotex Entity by Lehman Brothers, Apollo or any of their respective Restricted Transferees shall, for all purposes hereof, be deemed to constitute effective notice to all Restricted Transferees of the Celotex Entity, including all holders of Settlement Claims.

12. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made to be performed entirely in such State.

13. *Severability.* The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

14. *Assignment.* The provisions of this Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, successors and permitted assigns. Except as provided in Section 2(d), neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by any of the parties hereto without the prior written consent of the other parties hereto.

15. *Amendments; Waivers.* No amendment to this Agreement or any waiver or discharge of any provision hereof shall be made without the prior written consent of each party hereto. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

16. *Termination.* This Agreement shall terminate and be of no further force and effect on the earlier of (i) the date that the Celotex Entity shall have Transferred or otherwise distributed to the individual holders of Settlement Claims, or to any holders of claims against Celotex, 50% or more of the New Common Stock held by the Celotex Entity, in the aggregate, on the Effective Date, or the proceeds thereof (ii) the tenth anniversary of this Agreement, and (iii) the termination of the Settlement Agreement pursuant to Section 8 thereof.

17. *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

AIF II, L.P.

By _____
Name:
Title:

[other AIF Affiliates]

LEHMAN BROTHERS INC.

By _____
Name:
Title:

THE CELOTEX CORPORATION

On Behalf of the Celotex Entity

By _____
Name:
Title:

SCHEDULE 1

Common Stock

Stockholder	Number of Shares Owned
AIF II, L.P. (and/or other of its Affiliates)	
Lehman Brothers Inc.	
The Celotex Entity	

SCHEDULE 2

NOTICES

If to AIF II, L.P., to:

AIF II, L.P.

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

with a copy to: _____

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

If to the Celotex Entity to:

THE CELOTEX CORPORATION

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

with a copy to: _____

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

If to LEHMAN BROTHERS, INC. to:

LEHMAN BROTHERS, INC.

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

and a copy to:

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

with a copy to: _____

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

EXHIBIT E TO SECOND AMENDED AND RESTATED VEIL PIERCING SETTLEMENT AGREEMENT — SHARES HELD BY SIGNING MANAGEMENT	
NAME	NUMBER OF SHARES
Gilberto Aleman	20,000
W. Kendall Baker	20,000
William Carr	35,000
Joseph F. Hegerich	20,000
Wayne Hornsby	10,000
Kenneth E. Hyatt	50,000
Donald M. Kurucz	12,000
Kenneth J. Matlock	25,000
Robert W. Michael	35,000
Timothy M. Pariso	10,000
Michael Roberts	10,000
Dennis M. Ross	15,000
Sam J. Salario	25,000
James M. Sims	10,000
William N. Temple	10,000
David L. Townsend	8,000
James W. Walter	190,000
William H. Weldon	20,000

EXHIBIT 3B: PRE-LBO BONDHOLDERS SETTLEMENT AGREEMENT

AGREEMENT FOR SETTLEMENT OF PRE-LBO ISSUES AND TREATMENT OF SUBORDINATED NOTES PURSUANT TO CHAPTER 11 PLAN

This Agreement (as the same may be amended, modified or supplemented from time to time, the "Agreement") is entered into by the parties set forth below (each a "party") to set forth the terms of a settlement respecting alleged fraudulent transfer and related claims, including all claims asserted against Released Parties in *Mellon Bank, N.A. and Bank of New York v. Kohlberg Kravis Roberts & Co., et al.*, Adv. Pro. No. 94-17 (the "*Adversary Proceeding*"), and the related treatment of holders of Subordinated Note Claims, all pursuant to an amendment (the "*Amended Plan*") to the Joint Plan of Reorganization of Debtors Proposed by Certain Creditor Proponents, dated as of December 16, 1993 (the "*Original Plan*"), for Hillsborough Holdings Corporation and its subsidiaries and affiliates (the "*Debtors*").

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. *Defined Terms.* Unless otherwise indicated, all capitalized terms shall have the meanings ascribed to them in the Original Plan.

2. *Support of Amended Plan.* The parties will support, and, in the case of The Acacia Group, Gabriel Capital L.P. (as members of the *ad hoc* committee of the pre-LBO bondholders), Apollo and Lehman Brothers, become co-proponents of, the Amended Plan (which, except as set forth in sections 3.B., 6 and 7 below, will be in substantially the form of the Original Plan). The parties shall support any plan as to which the Bondholder Proponents are proponents so long as the relative treatment set forth herein is maintained for them.

3. *Treatment of Subordinated Note Claims.*

A. *Pro Rata Treatment of Subordinated Note Claims.* If the actual amount of distributions under the Amended Plan in respect of all Allowed Subordinated Note Claims is different than the aggregate Allowed Amount of all Subordinated Note Claims, then the aggregate amount of distributions in respect of Allowed Subordinated Note Claims in Classes U-4, U-5 and U-6 shall be calculated as follows:

$$\frac{\text{Actual amount of distributions in respect of all Allowed Subordinated Note Claims}}{\text{Aggregate amount of all Allowed Subordinated Note Claims}} \times \text{Aggregate Amount of all Allowed Class U-4 Claims (or Class U-5 Claims or Class U-6 Claims, as the case may be)}$$

For the purposes of the fraction used in this subparagraph A., the actual amount of distributions shall be valued at the aggregate principal amount in the case of Qualified Securities, and at the aggregate New Common Stock Value Per Share in the case of the New Common Stock.

B. *Allocation of Qualified Securities Available for Distribution.* Qualified Securities available for distribution (*i.e.*, after allocation to Class U-7) shall be allocated to Classes U-4, U-5 and U-6 as follows:

i. Class U-4 shall have the right to elect distribution of the first $240 million in principal amount of Qualified Securities available for distribution in satisfaction of the same amount of Allowed Class U-4 Claims; thereafter

ii. Classes U-4, U-5 and U-6 shall have the right to make the election to receive the remaining Qualified Securities available for distribution on the *pro rata* basis described in 3.A., above, subject to the following sentence (the Allowed Amount of Class U-4 Claims shall have been reduced for purposes of this calculation by the aggregate principal amount of Qualified Securities previously elected under subsection 3.B.i.). The foregoing *pro rata* calculation shall be modified as follows: (a) if there are $700 million of Qualified Securities available for distribution to Classes U-4, U-5, U-6 and U-7, Class U-6 shall have the right to elect

$80 million of Qualified Securities available for distribution to Classes U-4, U-5 and U-6 in the aggregate (after allocation to Class U-7 and after allocation pursuant to 3.B.i.), (b) if either less or more than $700 million of Qualified Securities are available for distribution to Classes U-4, U-5, U-6 and U-7, Class U-6 shall have the right to elect $80 million of the Qualified Securities available for distribution to Classes U-4, U-5 and U-6 in the aggregate (after allocation to Class U-7 and after allocation pursuant to 3.B.i.), minus or plus, as the case may be, 80/700 of the difference between (x) the Qualified Securities available for distribution to Classes U-4, U-5 and U-6 in the aggregate (after allocation to Class U-7 and after allocation pursuant to 3.B.i.) and (y) the Qualified Securities available for distribution to Classes U-4, U-5 and U-6 in the aggregate (after allocation to Class U-7 and after allocation pursuant to 3.B.i.) if there were $700 million of Qualified Securities available for distribution to Classes U-4, U-5, U-6 and U-7, and (c) the right to elect Qualified Securities by Classes U-4 and U-5 shall be correspondingly adjusted to reflect the disproportionate right of election of Class U-6 pursuant to this sentence.

Examples, assuming Allowed Claims as follows:

U-4:	$ 480
U-5:	390
U-6:	240
	$1.10 billion

$487.5 ÷ (1,098 + 487.5) = 30% of Qualified Securities to U-7; 70% of Qualified Securities to U-4 through U-6

Qualified Securities*

	$700	$900	$600
U-7:	210	270	180
	490	630	420
U-4:	240	240	240
	250	390	180
U-6:	80	80 + (80/700 × 140) = 96	80 − (80/700 × 70) = 72
U-5:	105	182	67
U-4:	65 + 240 = 305	112 + 240 = 352	41 + 240 = 281

* For purposes of the examples, calculations are rounded to nearest $.5 million.

C. *Allocation of Qualified Securities Among Persons Making Election.* If Holders of Class U-4 Subordinated Notes elect to receive Qualified Securities in respect of Class U-4 Subordinated Notes in an aggregate principal amount in excess of $240 million or Holders of Class U-6 Subordinated Notes elect to receive Qualified Securities in respect of Class U-6 Subordinated Notes in an aggregate principal amount in excess of $80 million, pursuant to sections 3.B.i. and 3.B.ii., respectively, the Qualified Securities so elected shall be allocated among such electing Holders *pro rata,* based upon the aggregate principal amount of Subordinated Notes elected by each such Holder to be applied to such Qualified Securities over the aggregate principal amount of Subordinated Notes elected by all such Holders to be applied to such Qualified Securities times $240 million or $80 million, as the case may be.

4. *Effectiveness of this Agreement.* This Agreement shall become effective when executed by the parties designated "Original Parties" on the signature page hereof (the "Original Parties") and additional holders of Subordinated Notes in Class U-6 whose Subordinated Notes, together with the Subordinated Notes owned or controlled by The Acacia Group and Gabriel Capital L.P. or for which such parties are authorized to execute this Agreement, represent not less than two-thirds in principal amount of all

Subordinated Notes in Class U-6; provided that such Additional Parties shall have executed this Agreement no later than April 15, 1994, unless such date shall be extended by written notice given by the Bondholder Proponents to The Acacia Group and Gabriel Capital L.P. Each of The Acacia Group, Gabriel Capital L.P. and each of the other holders of Subordinated Notes in Class U-6 which becomes a party to this Agreement represents that it owns, controls or is authorized to execute this Agreement on behalf of such party, the principal amount of Subordinated Notes in Class U-6 set forth under its name on the signature page hereof (which amounts shall not be publicly disclosed except as may be required by applicable law).

5. *Effective Settlement.*

A. Unless otherwise agreed by the Bondholder Proponents, and except as provided in section 9 hereof, the Class U-6 parties hereto will not support any proposed plan for any or all of the Debtors or settlement of the LBO-Related Issues (the definition of LBO-Related Issues in the Plan shall be amended by adding the words "except claims and causes of action against persons who are not Released Parties") other than the Amended Plan, or as contained in the Amended Plan as amended from time to time with the consent of the Bondholder Proponents, so long as such Amended Plan provides for relative treatment of the Class U-6 Claims that is at least as favorable as the relative treatment provided herein.

B. *Binding on Transferees.* Each of the Class U-6 parties hereto agrees not to sell or otherwise transfer the Subordinated Notes in Class U-6 owned or controlled by such party unless either (i) such Subordinated Notes shall be legended as follows or effective arrangements shall first have been made pursuant to an escrow or trust certificate agreement to cause the certificate(s) evidencing such Subordinated Notes in Class U-6 to be legended as follows:

> "The obligations evidenced hereby are subject to the Agreement For Settlement of Pre-LBO Issues and Treatment of Subordinated Notes Pursuant to Chapter 11 Plan dated as of March 23, 1994, and may not be transferred except in compliance therewith. A copy of such Agreement is on file at the offices of The Bank of New York, as escrow agent and trustee,

or (ii) such holder's buyer or transferee confirms in writing to such holder as follows:

> "[Buyer or Transferee] agrees to comply with the Pre-LBO Agreement dated as of March 23, 1994 to which (Seller or Transferor) is a party. All parties to such Agreement are third-party beneficiaries of this Agreement."

Within five (5) business days of such holder's receipt of such confirmation, such holder shall furnish a copy of the confirmation to The Bank of New York at 101 Barclay Street, 21st Floor, NY, NY 10286, Attn: David G. Sampson. Upon the written request of the Bondholder Proponents, acting in good faith to monitor compliance with the Agreement. The Bank of New York shall provide a copy of such confirmation to the Bondholder Proponents. The sole function of The Bank of New York shall be to hold copies of confirmations actually delivered to it by the holders and to provide copies of such confirmations as set forth herein. If such sale is conducted through a broker-dealer, such agreement may be set forth on the "confirmation" of the sale or transfer of such Subordinated Note.

C. *Fraudulent Transfer Litigation.* The parties acknowledge that the indenture trustees for the Class U-6 parties have commenced the Adversary Proceeding for the stated purpose of preserving LBO-Related Issues; however, such parties agree that, so long as this Agreement shall remain in effect, they will not actively pursue any litigation of the LBO-Related Issues against any or all of the Released Parties, and that such LBO-Related Issues shall be settled to the extent and as provided herein and in the Amended Plan upon the Effective Date of the Amended Plan. The Amended Plan shall provide for a clear reservation of rights against any and all non-Released Parties.

6. *Other Plan and Disclosure Statement Amendments.* The Original Plan shall, in addition, be amended as follows:

A. The Certificate of Incorporation for reorganized WII shall be amended as provided in *Exhibit 1* hereto.

B. "Proponents and Trustee Expenses" shall include reasonable fees and expenses of all Proponents and the trustees for the Pre-LBO Debentures, not previously reimbursed by the Debtors, which in the Disclosure Statement for the Amended Plan shall be set forth for each Proponent and trustee in an estimated, lump-sum amount and which the Proponents and trustees shall support.

C. Any postponement of the date by which the condition to confirmation set forth in section 10.1(a) of the Original Plan after December 31, 1994 must be agreed to by all Plan Proponents.

D. The parties shall agree on technical amendments to be reflected in the Amended Plan and the disclosure statement therefor to implement and describe the terms of this Agreement.

7. *Termination.* This Agreement shall terminate upon the earlier of the following:

A. Either (i) any of the Class U-6 parties hereto shall breach any of its obligations hereunder and such breach shall not be cured within twenty (20) calendar days after written notice of such breach shall have been given by the Bondholder Proponents to the indenture trustees for the Pre-LBO Debentures and The Acacia Group and Gabriel Capital L.P.; or (ii) any of the Bondholder Proponents shall breach any of its obligations hereunder and such breach shall not be cured within twenty (20) calendar days after written notice of such breach shall have been given by the indenture trustees for the Pre-LBO Debentures and The Acacia Group and Gabriel Capital L.P. to the Bondholder Proponents.

B. Any holder of Class U-6 Claims is permitted by the Court to pursue, and actively pursues, litigation in respect of the LBO-Related issues against any of the Debtors or any other Released Party and such holder shall not cease to actively pursue such litigation (and shall not cause any motions or other legal process filed in connection with such active pursuit to be withdrawn) within ten (10) calendar days after written notice shall have been given by the Bondholder Proponents to The Acacia Group and Gabriel Capital L.P.

C. On December 31, 1994, at the election of the Bondholder Proponents or The Acacia Group and Gabriel Capital L.P., provided that the Court has not previously entered the Confirmation Order.

D. All the parties hereto shall mutually agree in writing to terminate this Agreement.

8. *Amendments.* This Agreement may not be amended except in a writing signed by the parties hereto.

9. *No Solicitation.* Notwithstanding any other provision of this Agreement, nothing in this Agreement is intended to be or constitute, and shall not be deemed to be or constitute, a solicitation of any vote or any agreement to vote for or against any plan of reorganization, and nothing in this Agreement shall impair the right or the ability of any party to vote for or against, or abstain from voting with respect to, any plan of reorganization.

10. *No Admissions or Waivers.* No part of this Agreement shall be deemed as an admission of any party for any purpose. The parties hereto do not waive or release any rights, claims, defenses or remedies, including in respect of any "cram down" under section 1129(b) of the Bankruptcy Code, until all conditions to the effectiveness of the Amended Plan have been satisfied or waived.

11. *Announcement.* The Original Parties shall coordinate the announcement of their entry into this Agreement promptly after its execution by them.

12. *Governing Law.* Except to the extent the Code or Bankruptcy Rules are applicable, the rights and obligations arising under this Agreement shall be governed by, and construed and enforced in

accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

13. *Headings.* The headings of the Sections, paragraphs, and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.

14. *Notices.* All notices, requests or demands under or in connection with this Agreement shall be in writing and shall be delivered by hand, sent by recognized overnight courier or sent by telecopier, telex or similar electronic means to the party as set forth under its signature hereto, or to such other address or telecopier number as such party shall provide to all parties hereto in writing, and shall be deemed sent or given hereunder, in the case of delivery by recognized overnight courier, on the date of actual delivery, in the cases of transmission by telecopier, telex or similar electronic means on the date of actual transmission, and in the case of personal delivery, on the date of actual delivery.

15. *Extraterritoriality.* It is the intention of the parties that the settlements and other agreements contained in this Agreement be given application both to suits within and without the jurisdiction of the United States.

16. *Successors and Assigns.* This Agreement is intended to bind and inure to the benefit of the parties hereof and their respective successors, assigns, heirs, executors, administrators and representatives.

17. *Complete Agreement.* This document, including the exhibit hereto, embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and supersedes and preempts any prior agreement, understanding or representation made by and between any or all of such parties, whether written or oral, which may have related to the subject matter hereof in any way whatsoever, including without limitation the Term Sheet.

18. *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Dated: As of March 23, 1994

Original Parties

Institution:

LEHMAN BROTHERS, INC.,
in its individual capacity

By: /s/_____

Institution:

APOLLO ADVISORS, L.P.,
in its individual capacity

By: /s/_____

Institution:

GABRIEL CAPITAL L.P.
Principal Amount of Subordinated
Notes in Class U-6:

By: /s/ _____

Institution:

THE ACACIA GROUP.
in its individual capacity
Principal Amount of Subordinated
Notes in Class U-6:

By: /s/ _____

Institution:

MELLON BANK, N.A., as
Indenture Trustee

By: /s/ _____

Institution:

THE BANK OF NEW YORK, as
Indenture Trustee

By: /s/ _____

Additional Parties

Institution:

Principal Amount of Subordinated Notes in
Class U-6:

By: _____

Institution:

Principal Amount of Subordinated Notes in
Class U-6:

By: _____

Institution:

Principal Amount of Subordinated Notes in Class U-6:

By: _____

Institution:

Principal Amount of Subordinated Notes in Class U-6:

By: _____

Institution:

Principal Amount of Subordinated Notes in Class U-6:

By: _____

Institution:

Principal Amount of Subordinated Notes in Class U-6:

By: _____

Institution:

Principal Amount of Subordinated Notes in Class U-6:

By: _____

Institution:

Principal Amount of Subordinated Notes in Class U-6:

By: _____

REGISTRATION RIGHTS AGREEMENT

by and among

WALTER INDUSTRIES, INC.

and

THE HOLDERS NAMED HEREIN

Dated as of , 1994

TABLE OF CONTENTS

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT, dated as of , 1994 (this "Agreement"), by and among Walter Industries, Inc., a Delaware corporation (the "Company"), and the holders of Registrable Common Stock (as hereinafter defined) who are signatories to this Agreement (the "Holders").[1]

This Agreement is being entered into in connection with the acquisition of Common Stock (as hereinafter defined) on the date hereof by certain holders (the "Original Holders") pursuant to the Plan (as hereinafter defined). Upon the issuance of the Common Stock, each Original Holder will own the number of shares of Common Stock specified with respect to such Original Holder in Schedule A hereto.

To induce the holders of Registrable Common Stock (as hereinafter defined) to vote in favor of the Plan and to accept the issuance of the Common Stock by the Company under the Plan, the Company has undertaken to register Registrable Common Stock under the Securities Act (as hereinafter defined) and to take certain other actions with respect to the Registrable Common Stock. This Agreement sets forth the terms and conditions of such undertaking.

In consideration of the premises and the mutual agreements set forth herein, the parties hereto hereby agree as follows:

1. *Definitions.* Unless otherwise defined herein, capitalized terms used herein and in the recitals above shall have the following meanings:

"Affiliate" of a Person means any Person that controls, is under common control with, or is controlled by, such other Person. For purposes of this definition, "control" means the ability of one Person to direct the management and policies of another Person.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to be closed.

"Commission" means the U.S. Securities and Exchange Commission.

"Common Stock" means the shares of common stock, $.01 par value per share, of the Company, as adjusted to reflect any merger, consolidation, recapitalization, reclassification, split-up, stock dividend, rights offering or reverse stock split made, declared or effected with respect to the Common Stock.

"Effective Date" means the effective date of the Plan pursuant to the terms thereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or any similar or successor statute.

"Expenses" means, except as set forth in Section 5 hereof, all expenses incident to the Company's performance of or compliance with its obligations under this Agreement, including, without limitation, all registration, filing, listing, stock exchange and NASD fees, all fees and expenses of complying with state securities or blue sky laws (including fees, disbursements and other charges of counsel for the underwriters in connection with blue sky filings), all word processing, duplicating and printing expenses, messenger and delivery expenses, all rating agency fees, the fees, disbursements and other charges of counsel for the Company and of its independent public accountants, including the expenses incurred in connection with "cold comfort" letters required by or incident to such performance and compliance, any fees and disbursements of underwriters customarily paid by issuers or sellers of securities and the reasonable fees, disbursements and other charges of one firm of counsel (per registration prepared) to the holders of Registrable Common Stock making a request pursuant to Section 3(a) hereof (selected by the Holders holding a majority of the shares of Registrable Common Stock covered by such registration), but excluding underwriting discounts and commissions and applicable transfer taxes, if any, which discounts, commissions and transfer taxes shall be borne by the seller or sellers of Registrable Common Stock in all cases; *provided, that,* in the event the

[1] The signatories shall include each holder of Registrable Common Stock which on the Effective Date is an Affiliate of KKR Associates or is an officer or director of the Company.

Company shall, in accordance with Section 4 or Section 9 hereof, not register any securities with respect to which it had given written notice of its intention to register to holders of Registrable Common Stock, notwithstanding anything to the contrary in the foregoing, all of the reasonable out-of-pocket costs incurred by Requesting Holders in connection with such registration (other than counsel fees, disbursements and other charges not referred to above) shall be deemed to be Expenses.

"Initiating Holders" has the meaning set forth in Section 3(a) hereof.

"NASD" means the National Association of Securities Dealers, Inc.

"NASDAQ" means the National Association of Securities Dealers, Inc. Automated Quotation System.

"Note Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date hereof, among the Company and the holders of Registrable Notes (as defined therein) who are signatories or are deemed to be signatories thereto.

"Notes" means $[ ] in aggregate principal amount of [ ][2] issued on the date hereof, and includes any securities of the Company issued or issuable with respect to such securities by way of a recapitalization, merger, consolidation or other reorganization or otherwise.

"Person" means any individual, corporation, partnership, firm, joint venture, association, joint stock company, trust, unincorporated organization, governmental or regulatory body or subdivision thereof or other entity.

"Plan" means the Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code for Walter Industries, Inc., as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

"Public Offering" means a public offering and sale of Common Stock pursuant to an effective registration statement under the Securities Act.

"Registrable Common Stock" means any of the Common Stock held by the Holders from time to time as to which registration pursuant to the Securities Act is required for public sale.

"Requesting Holders" has the meaning set forth in Section 4 hereof.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar or successor statute.

"Selling Holders" means the holders of Registrable Common Stock requested to be registered pursuant to Section 3(a) hereof.

"Transfer" means any transfer, sale, assignment, pledge, hypothecation or other disposition of any interest. "Transferor" and "Transferee" have correlative meanings.

2. *Initial Registration Under the Securities Act.*

(a) *Shelf Registration.* The Company shall (i) cause to be filed not later than 45 days after the Effective Date a shelf registration statement pursuant to Rule 415 promulgated under the Securities Act (a "Shelf Registration") providing for the sale by the Holders of all of the Registrable Common Stock and (ii) use its reasonable best efforts to have such Shelf Registration thereafter declared effective by the Commission not later than 90 days after the Effective Date. Subject to Section 9(b), the Company agrees to use its reasonable best efforts to keep the Shelf Registration continuously effective until the first anniversary of the date such Shelf Registration is declared effective by the Commission or such shorter period which will terminate when all of the Registrable Common Stock covered by the Shelf Registration have been sold pursuant to the Shelf Registration. The Company further agrees, if necessary, to supplement or amend the Shelf Registration, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration or by the Securities

[2] Insert principal amount and title of Notes issued by the Company.

Act or by any other rules and regulations thereunder for shelf registration, and the Company agrees to furnish to the Holders copies of any such supplement or amendment promptly after its being issued or filed with the Commission.

(b) *Effective Registration Statement.* A Shelf Registration pursuant to Section 2(a) hereof shall not be deemed to have been effected

(i) unless a registration statement with respect thereto has been declared effective by the Commission and remains effective in compliance with the provisions of the Securities Act and the laws of any state or other jurisdiction applicable to the disposition of all Registrable Common Stock covered by such registration statement until such time as all of such Registrable Common Stock have been disposed of in accordance with such registration statement (provided that such period need not exceed one year), or,

(ii) if, after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental or regulatory agency or court for any reason other than a violation of applicable law solely by the Holders and has not thereafter become effective.

3. *Securities Act Registration on Request.*

(a) *Request.* At any time and from time to time after the expiration of the Shelf Registration filed by the Company pursuant to Section 2(a) hereof (the "Initial Shelf"), one or more Holders (the "Initiating Holders") may make a written request (the "Initiating Request") to the Company for the registration with the Commission under the Securities Act of all or part of such Initiating Holders' Registrable Common Stock; *provided, however,* that such request shall be made by one or more Holders of at least 5% of the outstanding shares of Registrable Common Stock, which request shall specify the number of shares to be disposed of and the proposed plan of distribution therefor. Upon the receipt of any Initiating Request for registration pursuant to this paragraph, the Company promptly shall notify in writing all other Holders of the receipt of such request and will use its best efforts to effect, at the earliest possible date (taking into account any delay that may result from any special audit required by applicable law), such registration under the Securities Act, including a Shelf Registration, of

(i) the Registrable Common Stock which the Company has been so requested to register by such Initiating Holder, and

(ii) all other Registrable Common Stock which the Company has been requested to register by any other Holders by written request given to the Company within 30 days after the giving of written notice by the Company to such other Holders of the Initiating Request,

all to the extent necessary to permit the disposition (in accordance with Section 3(c) hereof) of the Registrable Common Stock so to be registered; *provided, that,*

(A) the Company shall not be required to effect more than a total of two registrations pursuant to this Section 3(a),

(B) if the intended method of distribution is an underwritten public offering, the Company shall not be required to effect such registration pursuant to this Section 3(a) unless such underwriting shall be conducted on a "firm commitment" basis,

(C) if the Company shall have previously effected a registration pursuant to this Section 3(a) or shall have previously effected a registration of which notice has been given to the Holders pursuant to Section 4 hereof, a Holder shall not request and the Company shall not be required to effect any registration pursuant to this Section 3(a) or Section 4 hereof until a period of 180 days shall have elapsed from the date on which such registration ceased to be effective,

(D) subject to the last sentence of Section 5(a) hereof, any Holder whose Registrable Common Stock was to be included in any such registration, by written notice to the Company,

may withdraw such request and, on receipt of such notice of the withdrawal of such request from Holders holding a percentage of Common Stock, such that the Holders that have not elected to withdraw do not hold, in the aggregate, the requisite percentage of the Common Stock to initiate a request under this Section 3(a), the Company shall not effect such registration, and

(E) the Company shall not be required to effect any registration to be effected pursuant to this Section 3(a) unless at least 5% of the shares of Registrable Common Stock outstanding at the time of such request is to be included in such registration.

(b) *Registration of Other Securities.* Whenever the Company shall effect a registration pursuant to Section 3(a) hereof, no securities other than (i) Registrable Common Stock and (ii) subject to Section 3(f), Common Stock to be sold by the Company for its own account shall be included among the securities covered by such registration unless the Selling Holders holding not less than a majority of the shares of Registrable Common Stock to be covered by such registration shall have consented in writing to the inclusion of such other securities.

(c) *Registration Statement Form.* Registrations under Section 3(a) hereof shall be on such appropriate registration form prescribed by the Commission under the Securities Act as shall be selected by the Company and as shall permit the disposition of the Registrable Common Stock pursuant to an underwritten offering unless the Selling Holders holding at least a majority of the shares of Registrable Common Stock requested to be included in such registration statement determine otherwise, in which case pursuant to the method of disposition determined by such Selling Holders. The Company agrees to include in any such registration statement filed pursuant to Section 3(a) hereof all information which any Selling Holder, upon advice of counsel, shall reasonably request. The Company may, if permitted by law, effect any registration requested under this Section 3 by the filing of a registration statement on Form S-3 (or any successor or similar short form registration statement).

(d) *Effective Registration Statement.* A registration requested pursuant to Section 3(a) hereof shall not be deemed to have been effected

(i) unless a registration statement with respect thereto has been declared effective by the Commission and remains effective in compliance with the provisions of the Securities Act and the laws of any state or other jurisdiction applicable to the disposition of all Registrable Common Stock covered by such registration statement until such time as all of such Registrable Common Stock have been disposed of in accordance with such registration statement, *provided, that,* except with respect to any Shelf Registration, such period need not exceed 90 days, and, *provided, further,* that with respect to any Shelf Registration, such period need not extend beyond the period provided for in Section 3(g) hereof,

(ii) if, after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental or regulatory agency or court for any reason other than a violation of applicable law solely by the Selling Holders and has not thereafter become effective or

(iii) if, in the case of an underwritten offering, the conditions to closing specified in an underwriting agreement to which the Company is a party are not satisfied other than by reason of any breach or failure by the Selling Holders, or are not otherwise waived.

The holders of Registrable Common Stock to be included in a registration statement may at any time terminate a request for registration made pursuant to Section 3(a) in accordance with Section 3(a)(ii)(D). Expenses incurred in connection with a request for registration terminated pursuant to this paragraph shall be paid in accordance with the last sentence of Section 5(a) hereof.

(e) *Selection of Underwriters.* The underwriter or underwriters of each underwritten offering, if any, of the Registrable Common Stock to be registered pursuant to Section 3(a) hereof (i) shall be a nationally recognized underwriter (or underwriters), (ii) shall be selected by the Selling Holders owning

at least a majority of the shares of Registrable Common Stock to be registered and (iii) shall be reasonably acceptable to the Company.

(f) *Priority in Requested Registration.* If a registration under Section 3 hereof involves an underwritten public offering, and the managing underwriter of such underwritten offering shall advise the Company in writing (with a copy to each Holder requesting that Registrable Common Stock be included in such registration statement) that, in its opinion, the number of shares of Registrable Common Stock requested to be included in such registration exceeds the number of such securities that can be sold in such offering within a price range stated to such managing underwriter by Selling Holders owning at least a majority of the shares of Registrable Common Stock requested to be included in such registration to be acceptable to such Selling Holders, the Company shall include in such registration, to the extent of the number and type of securities which the Company is advised can be sold in such offering, all Registrable Common Stock requested to be registered pursuant to Section 3(a) hereof, *pro rata* among the Selling Holders on the basis of the number of shares of Registrable Common Stock requested to be registered by all such holders, and no other shares of Common Stock, whether to be sold by the Company or any other Person.

(g) *Shelf Registrations.* If the first demand made pursuant to Section 3(a) hereof is for a Shelf Registration, the period for which such Shelf Registration must remain effective need not extend beyond one year from the date on which such Shelf Registration is declared effective by the Commission and the period for which any subsequent Shelf Registration must remain effective need not extend beyond nine months from the date on which such Shelf Registration is declared effective by the Commission.

4. *Piggyback Registration.* If the Company at any time after the termination of the Initial Shelf, proposes to register any of its securities (other than any registration of Registrable Notes pursuant to the Note Registration Rights Agreement) under the Securities Act by registration on any forms other than Form S-4 or S-8 (or any successor or similar forms), whether or not pursuant to registration rights granted to other holders of its securities and whether or not for sale for its own account, it shall give prompt written notice to all of the Holders of its intention to do so and of such Holders' rights (if any) under this Section 4, which notice, in any event, shall be given at least 30 days prior to such proposed registration. Upon the written request of any Holder receiving notice of such proposed registration that is a holder of Registrable Common Stock (a "Requesting Holder") made within 20 days after the receipt of any such notice (10 days if the Company states in such written notice or gives telephonic notice to the relevant securityholders, with written confirmation to follow promptly thereafter, stating that (i) such registration will be on Form S-3 and (ii) such shorter period of time is required because of a planned filing date), which request shall specify the Registrable Common Stock intended to be disposed of by such Requesting Holder and the minimum offering price per share at which the Holder is willing to sell its Registrable Common Stock, the Company shall, subject to Section 7(b) hereof, effect the registration under the Securities Act of all Registrable Common Stock which the Company has been so requested to register by the Requesting Holders thereof; *provided, that,*

(A) prior to the effective date of the registration statement filed in connection with such registration, promptly following receipt of notification by the Company from the managing underwriter of the price at which such securities are to be sold, the Company shall so advise each Requesting Holder of such price, and if such price is below the minimum price which any Requesting Holder shall have indicated to be acceptable to such Requesting Holder, such Requesting Holder shall then have the right irrevocably to withdraw its request to have its Registrable Common Stock included in such registration statement, by delivery of written notice of such withdrawal to the Company within five business days of its being advised of such price, without prejudice to the rights of any holder or holders of Registrable Common Stock to include Registrable Common Stock in any future registration (or registrations) pursuant to this Section 4 or to cause such registration to be effected as a registration under Section 3(a) hereof, as the case may be;

(B) if at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration,

the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each Requesting Holder and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Common Stock in connection with such registration (but not from any obligation of the Company to pay the Expenses in connection therewith), without prejudice, however, to the rights of any Holder to include Registrable Common Stock in any future registration (or registrations) pursuant to this Section 4 or to cause such registration to be effected as a registration under Section 3(a) hereof, as the case may be, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Common Stock, for the same period as the delay in registering such other securities; and

(C) if such registration involves an underwritten offering, each Requesting Holder shall sell its Registrable Securities on the same terms and conditions as those that apply to the Company.

No registration effected under this Section 4 shall relieve the Company of its obligation to effect any registration upon request under Section 3(a) hereof and no registration effected pursuant to this Section 4 shall be deemed to have been effected pursuant to Section 3(a) hereof.

5. *Expenses.* The Company shall pay all Expenses in connection with any registration initiated pursuant to Section 2(a), 3(a) or 4 hereof, whether or not such registration shall become effective and whether or not all or any portion of the Registrable Common Stock originally requested to be included in such registration are ultimately included in such registration. Notwithstanding the foregoing, if any request for registration made pursuant to Section 3(a) hereof is withdrawn or terminated by the Selling Holders prior to the registration becoming effective, the Expenses incurred in connection with such request shall be borne by the Selling Holders *pro rata* on the basis of the number of shares of Registrable Common Stock requested to be registered pursuant to such demand by each Selling Holder; *provided, however,* that, in the case of an underwritten Public Offering, if such request for registration is withdrawn or terminated by the Selling Holders prior to the registration becoming effective because the offering price of the Registrable Common Stock requested to be registered would, in the opinion of the managing underwriter of such offering, be less than 90% of the estimated offering price of the Common Stock as indicated in writing by the managing underwriter prior to the initial filing of such registration statement with the Commission, the Company shall pay 50% of the Expenses in connection with such registration and the Selling Holders shall pay the remaining 50% on a *pro rata* basis.

6. *Registration Procedures.* If and whenever the Company is required to effect any registration under the Securities Act as provided in Sections 2(a), 3(a) and 4 hereof, the Company shall, as expeditiously as possible:

(a) prepare and file with the Commission (promptly and, in the case of any registration pursuant to Section 3(a), in any event on or before the date that is (i) 90 days after the end of the period within which requests for registration may be given to the Company or (ii) if, as of such ninetieth day, the Company does not have the audited financial statements required to be included in the registration statement, 30 days after the receipt by the Company from its independent public accountants of such audited financial statements, which the Company shall use its reasonable best efforts to obtain as promptly as practicable) the requisite registration statement to effect such registration and thereafter use its reasonable best efforts to cause such registration statement to become effective; *provided, however,* that the Company may discontinue any registration of its securities that are not shares of Registrable Common Stock (and, under the circumstances specified in Sections 4 and 9(b) hereof, its securities that are shares of Registrable Common Stock) at any time prior to the effective date of the registration statement relating thereto;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Common Stock covered by such registration statement until such time as all of such Registrable Common Stock has been disposed of in accordance with the method

of disposition set forth in such registration statement; *provided,* that, except with respect to any Shelf Registration, such period need not extend beyond 90 days after the effective date of the registration statement; and *provided, further,* that with respect to the Initial Shelf, such period need not extend beyond one year after the effective date of such registration statement and, with respect to any Shelf Registration other than the Initial Shelf, such period need not exceed the applicable period provided for in Section 3(g) hereof;

(c) furnish to each seller of Registrable Common Stock covered by such registration statement such number of copies of such drafts and final conformed versions of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits and any documents incorporated by reference), such number of copies of such drafts and final versions of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as such seller may reasonably request in writing;

(d) use its reasonable best efforts (i) to register or qualify all Registrable Common Stock and other securities covered by such registration statement under such other securities or blue sky laws of such states or other jurisdictions of the United States of America as the sellers of Registrable Common Stock covered by such registration statement shall reasonably request in writing, (ii) to keep such registration or qualification in effect for so long as such registration statement remains in effect and (iii) to take any other action that may be reasonably necessary or advisable to enable such sellers to consummate the disposition in such jurisdictions of the securities to be sold by such sellers, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subsection (d) be obligated to be so qualified, to subject itself to taxation in such jurisdiction or to consent to general service of process in any such jurisdiction;

(e) use its best efforts to cause all Registrable Common Stock and other securities covered by such registration statement to be registered with or approved by such other federal or state governmental agencies or authorities as may be necessary in the opinion of counsel to the Company and counsel to the seller or sellers of Registrable Common Stock to enable the seller or sellers thereof to consummate the disposition of such Registrable Common Stock;

(f) use its best efforts to obtain and, if obtained, furnish to each seller of Registrable Common Stock, and each such seller's underwriters, if any, a signed

(i) opinion of counsel for the Company, dated the effective date of such registration statement (and, if such registration involves an underwritten offering, dated the date of the closing under the underwriting agreement), reasonably satisfactory in form and substance to such seller, and

(ii) "comfort" letter, dated the effective date of such registration statement (and, if such registration involves an underwritten offering, dated the date of the closing under the underwriting agreement) and signed by the independent public accountants who have certified the Company's financial statements included or incorporated by reference in such registration statement, reasonably satisfactory in form and substance to such seller,

in each case, covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' comfort letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' comfort letters delivered to underwriters in underwritten Public Offerings of securities and, in the case of the accountants' comfort letter, such other financial matters, and, in the case of the legal opinion, such other legal matters, as the sellers of the Registrable Common Stock covered by such registration statement or the underwriters, if any, may reasonably request;

(g) notify each seller of Registrable Common Stock and other securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and, at the request of any such seller of Registrable Common Stock, promptly prepare and furnish to it a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus, as supplemented or amended, shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(h) otherwise comply with all applicable rules and regulations of the Commission and any other governmental agency or authority having jurisdiction over the offering, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder, and furnish to each seller of Registrable Common Stock at least ten days prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus;

(i) upon a request of the Holders of a majority of the shares of Registrable Common Stock requested to be included in a registration pursuant to Section 3(a) or 4 hereof, made at any time on and after the first anniversary of the date hereof, use its best efforts to cause all such Registrable Common Stock covered by such registration statement (i) to be listed on a national securities exchange on which similar securities issued by the Company are then listed, if the listing of such Registrable Common Stock is then permitted under the rules of such exchange or (ii) if the Company is not required pursuant to clause (i) above to list such securities covered by such registration statement on a national securities exchange, use its best efforts to secure designation of all Registrable Common Stock covered by such registration statement as a NASDAQ "national market system security" within the meaning of Rule 11Aa2-1 of the Commission or, failing that, to secure NASDAQ authorization for such Registrable Common Stock and, without limiting the generality of the foregoing, to arrange for at least two market makers to register with the NASD as such with respect to such Registrable Common Stock;

(j) provide a transfer agent and registrar for such Registrable Common Stock covered by such Registration Statement no later than the effective date thereof; and

(k) enter into such agreements and take such other actions as any Holder or Holders of Registrable Common Stock covered by such registration statement shall reasonably request in order to expedite or facilitate the disposition of such Registrable Common Stock.

The Company may require each seller of Registrable Common Stock as to which any registration is being effected to furnish the Company such information regarding such seller and the distribution of the securities covered by such registration statement as the Company may from time to time reasonably request in writing and as is required by applicable laws and regulations.

Each Holder agrees that as of the date that a final prospectus is made available to it for distribution to prospective purchasers of Registrable Common Stock it shall cease to distribute copies of any preliminary prospectus prepared in connection with the offer and sale of such Registrable Common Stock. Each Holder further agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in subsection (g) of this Section 6, such Holder shall forthwith discontinue such Holder's disposition of Registrable Common Stock pursuant to the registration statement relating to such Registrable Common Stock until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by subsection (g) of this Section 6 and, if so directed by the Company, shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's

possession of the prospectus relating to such Registrable Common Stock current at the time of receipt of such notice. If any event of the kind described in subsection (g) of this Section 6 occurs and such event is the fault solely of a Holder (or Holders), such Holder (or Holders) shall pay all Expenses attributable to the preparation, filing and delivery of any supplemented or amended prospectus contemplated by subsection (g) of this Section 6.

7. *Underwritten Offerings.*

(a) *Requested Underwritten Offerings.* If requested by the underwriters in connection with a request for a registration under Section 3 hereof, the Company shall enter into a firm commitment underwriting agreement with such underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to the Company and a majority of the Selling Holders whose Registered Common Stock is included in such registration, and the underwriters and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including, without limitation, indemnification and contribution to the effect and to the extent provided in Section 10 hereof.

(b) *Piggyback Underwritten Offerings; Priority.* If the Company proposes to register any of its securities under the Securities Act as contemplated by Section 4 hereof and such securities are to be distributed by or through one or more underwriters, the Company shall, if requested by any Requesting Holders, use its best efforts to arrange for such underwriters to include all of the Registrable Common Stock to be offered and sold by such Requesting Holders among the securities of the Company to be distributed by such underwriters; *provided, that*, if the managing underwriter of such underwritten offering shall advise the Company in writing (with a copy to the Requesting Holders) that if all the Registrable Common Stock requested to be included in such registration were so included, in its opinion, the number and type of securities proposed to be included in such registration would exceed the number and type of securities which could be sold in such offering within a price range acceptable to the Company (such writing to state the basis of such opinion and the approximate number and type of securities which may be included in such offering without such effect), then the Company shall include in such registration, to the extent of the number and type of securities which the Company is so advised can be sold in such offering, (i) first, securities that the Company proposes to issue and sell for its own account and (ii) second, Registrable Common Stock requested to be registered by Requesting Holders pursuant to Section 4 hereof, *pro rata* among the Requesting Holders on the basis of the number of shares of Registrable Common Stock requested to be registered by all such Requesting Holders.

Any Requesting Holder may withdraw its request to have all or any portion of its Registrable Common Stock included in any such offering by notice to the Company within 10 Business Days after receipt of a copy of a notice from the managing underwriter pursuant to this Section 7(b).

(c) *Holders of Registrable Common Stock to be Parties to Underwriting Agreement.* The holders of Registrable Common Stock to be distributed by underwriters in an underwritten offering contemplated by subsections (a) or (b) of this Section 7 shall be parties to the underwriting agreement between the Company and such underwriters and any such Holder, at its option, may require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such Holders and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such Holders. No such Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such holder, such Holder's Registrable Common Stock and such Holder's intended method of distribution.

(d) *Selection of Underwriters for Piggyback Underwritten Offering.* The underwriter or underwriters of each piggyback underwritten offering pursuant to this Section 7 shall be a nationally recognized underwriter (or underwriters) selected by the Company.

(e) *Holdback Agreements.* Each Holder agrees, if so required by the managing underwriter for any underwritten offering pursuant to this Agreement, not to effect any sale or distribution of any equity securities of the Company or securities convertible into or exchangeable or exercisable for equity securities of the Company issued after the date hereof, including any sale under Rule 144 under the Securities Act, during the 10 days prior to the date on which an underwritten registration of Registrable Common Stock pursuant to Section 2(a), 3 or 4 hereof has become effective and until 120 days after the effective date of such underwritten registration, except as part of such underwritten registration or to the extent that such Holder is prohibited by applicable law from agreeing to withhold securities from sale or is acting in its capacity as a fiduciary or an investment adviser. Without limiting the scope of the term "fiduciary," a holder shall be deemed to be acting as a fiduciary or an investment adviser if its actions or the securities proposed to be sold are subject to the Employee Retirement Income Security Act of 1974, as amended, the Investment Company Act of 1940, as amended, or the Investment Advisers Act of 1940, as amended, or if such securities are held in a separate account under applicable insurance law or regulation.

The Company agrees (i) not to effect any Public Offering or distribution of any equity securities of the Company or securities convertible into or exchangeable or exercisable for equity securities of the Company, during the 10 days prior to the date on which any underwritten registration pursuant to Section 2(a), 3 or 4 hereof has become effective and until 120 days after the effective date of such underwritten registration, except as part of such underwritten registration, and (ii) to cause each holder of any equity securities, or securities convertible into or exchangeable or exercisable for equity securities, in each case, acquired from the Company at any time on or after the date of this Agreement (other than in a Public Offering), to agree not to effect any Public Offering or distribution of such securities, during such period.

8. *Preparation; Reasonable Investigation.*

(a) *Registration Statements.* In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company shall give each holder of Registrable Common Stock registered under such registration statement, the underwriters, if any, and its respective counsel and accountants the reasonable opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and shall give each of them such reasonable access to its books and records and such reasonable opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the reasonable opinion of any such Holders' and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

(b) *Confidentiality.* Each Holder of Registrable Common Stock shall maintain the confidentiality of any confidential information received from or otherwise made available by the Company to such Holder of Registrable Common Stock and identified in writing by the Company as confidential. Information that (i) is or becomes available to a Holder of Registrable Common Stock from a public source, (ii) is disclosed to a Holder of Registrable Common Stock by a third-party source who the Holder of Registrable Common Stock reasonably believes has the right to disclose such information or (iii) is or becomes required to be disclosed by a holder of Registrable Common Stock by law, including by court order, shall not be deemed to be confidential information for purposes of this Agreement. The Holders of Registrable Common Stock shall not grant access, and the Company shall not be required to grant access, to information under this Section 8 to any Person who will not agree to maintain the confidentiality (to the same extent a Holder is required to maintain confidentiality) of any confidential information received from or otherwise made available to it by the Company or the holders of Registrable Common Stock under this Agreement and identified in writing by the Company as confidential.

9. *Postponements.*

(a) If the Company shall fail to file any registration statement to be filed pursuant to a request for registration under Section 3(a) hereof, the Holders requesting such registration shall have the right to withdraw the request for registration if such withdrawal shall be made by holders of Common Stock

holding an amount of Common Stock such that the Holders that have not elected to withdraw do not hold the requisite percentage of shares of Common Stock to initiate a request under Section 3. Any such withdrawal shall be made by giving written notice to the Company within 20 days after, in the case of a request pursuant to Section 3(a) hereof, the date on which a registration statement would otherwise have been required to have been filed with the Commission under clause (i) of Section 6(a) hereof (*i.e.*, 20 days after the date that is 90 days after the conclusion of the period within which requests for registration may be given to the Company, or, if, as of such ninetieth day, the Company does not have the audited financial statements required to be included in the registration statement, 30 days after the receipt by the Company from its independent public accountants of such audited financial statements). In the event of such withdrawal, the request for registration shall not be counted for purposes of determining the number of registrations to which Holders are entitled pursuant to Section 3 hereof. The Company shall pay all Expenses incurred in connection with a request for registration withdrawn pursuant to this paragraph.

(b) The Company shall not be obligated to file any registration statement other than the Initial Shelf, or file any amendment or supplement to any registration statement other than the Initial Shelf, and may suspend any seller's rights to make sales pursuant to any effective registration statement (provided that it may not suspend any Holder's rights to make sales pursuant to the Initial Shelf prior to the nineteenth day following the date on which the Initial Shelf is initially declared effective), at any time when the Company, in the good faith judgment of its Board of Directors, reasonably believes that the filing thereof at the time requested, or the offering of securities pursuant thereto, would adversely affect a pending or proposed public offering of the Company's securities, a material financing, or a material acquisition, merger, recapitalization, consolidation, reorganization or similar transaction, or negotiations, discussions or pending proposals with respect thereto. The filing of a registration statement, or any amendment or supplement thereto, by the Company cannot be deferred, and the sellers' rights to make sales pursuant to an effective registration statement cannot be suspended, pursuant to the provisions of the preceding sentence for more than ten days after the abandonment or consummation of any of the foregoing proposals or transactions or for more than 60 days after the date of the Board's determination referenced in the preceding sentence. If the Company suspends the sellers' rights to make sales pursuant hereto, the applicable registration period shall be extended by the number of days of such suspension.

10. *Indemnification.*

(a) *Indemnification by the Company.* In connection with any registration statement filed by the Company pursuant to Section 2(a), 3(a) or 4 hereof, the Company shall, and hereby agrees to, indemnify and hold harmless, each Holder and seller of any Registrable Common Stock covered by such registration statement and each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such Holder or seller or any such underwriter, and their respective directors, officers, partners, agents and Affiliates (each, a "Company Indemnitee" for purposes of this Section 10(a)), against any losses, claims, damages, liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof and whether or not such Indemnified Party is a party thereto), joint or several, and expenses, including, without limitation, the reasonable fees, disbursements and other charges of legal counsel and reasonable costs of investigation, to which such Company Indemnitee may become subject under the Securities Act or otherwise (collectively, a "Loss" or "Losses"), insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered or otherwise offered or sold under the Securities Act or otherwise, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto (collectively, "Offering Documents"), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances in which they were made not misleading; *provided, that,* the Company shall not be liable in any such case to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Offering Documents in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by

or on behalf of such Company Indemnitee specifically stating that it is expressly for use therein; and *provided, further,* that the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Common Stock or any other Person, if any, who controls such underwriter, in any such case to the extent that any such Loss arises out of such Person's failure to send or give a copy of the final prospectus (including any documents incorporated by reference therein), as the same may be then supplemented or amended, to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Common Stock to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Company Indemnitee and shall survive the transfer of such securities by such Company Indemnitee.

(b) *Indemnification by the Offerors and Sellers.* In connection with any registration statement filed by the Company pursuant to Section 2(a), 3(a) or 4 hereof in which a Holder has registered for sale Registrable Common Stock, each such Holder or seller of Registrable Common Stock shall, and hereby agrees to, indemnify and hold harmless the Company and each of its directors, officers, employees and agents, each other Person, if any, who controls the Company and each other seller and such seller's directors, officers, stockholders, partners, employees, agents and affiliates (each, a "Holder Indemnitee" for purposes of this Section 10(b)), against all Losses insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Offering Documents (or any document incorporated by reference therein) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of circumstances in which they were made not misleading, if such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such Holder or seller of Registrable Common Stock specifically stating that it is expressly for use therein; *provided, however,* that the liability of such indemnifying party under this Section 10(b) shall be limited to the amount of the net proceeds received by such indemnifying party in the offering giving rise to such liability. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Holder Indemnitee and shall survive the transfer of such securities by such Holder.

(c) *Notices of Losses, etc.* Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a Loss referred to in the preceding subsections of this Section 10, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; *provided, however,* that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 10, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, the indemnifying party shall be entitled to participate in and, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such Loss, to assume and control the defense thereof, in each case at its own expense, jointly with any other indemnifying party similarly notified, to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after its assumption of the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall be liable for any settlement of any such action or proceeding effected without its written consent, which shall not be unreasonably withheld. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such Loss or which requires action on the part of such indemnified party or otherwise subjects the indemnified party to any obligation or restriction to which it would not otherwise be subject.

(d) *Contribution.* If the indemnification provided for in this Section 10 shall for any reason be unavailable to an indemnified party under subsection (a) or (b) of this Section 10 in respect of any Loss, then, in lieu of the amount paid or payable under subsection (a) or (b) of this Section 10, the indemnified party and the indemnifying party under subsection (a) or (b) of this Section 10 shall contribute to the aggregate Losses (including legal or other expenses reasonably incurred in connection with investigating the same) (i) in such proportion as is appropriate to reflect the relative fault of the Company and the prospective sellers of Registrable Common Stock covered by the registration statement which resulted in such Loss or action in respect thereof, with respect to the statements, omissions or action which resulted in such Loss or action in respect thereof, as well as any other relevant equitable considerations, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and such prospective sellers, on the other hand, from their sale of Registrable Common Stock; *provided, that*, for purposes of this clause (ii), the relative benefits received by the prospective sellers shall be deemed not to exceed the amount received by such sellers. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The obligations, if any, of the selling holders of Registrable Common Stock to contribute as provided in this subsection (d) are several in proportion to the relative value of their respective Registrable Common Stock covered by such registration statement and not joint. In addition, no Person shall be obligated to contribute hereunder any amounts in payment for any settlement of any action or Loss effected without such Person's consent.

(e) *Other Indemnification.* The Company and, in connection with any registration statement filed by the Company pursuant to Section 2(a) each Holder shall, and, in connection with any registration statement filed by the Company pursuant to Section 3(a) or 4, each Holder who has registered for sale Registrable Common Stock, shall, with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority other than the Securities Act, indemnify Holder Indemnitees and Company Indemnitees, respectively, against Losses, or, to the extent that indemnification shall be unavailable to a Holder Indemnitee or Company Indemnitee, contribute to the aggregate Losses of such Holder Indemnitee or Company Indemnitee in a manner similar to that specified in the preceding subsections of this Section 10 (with appropriate modifications).

(f) *Indemnification Payments.* The indemnification and contribution required by this Section 10 shall be made by periodic payments of the amount thereof during the course of any investigation or defense, as and when bills are received or any Loss is incurred.

11. *Registration Rights to Others.*

If the Company shall at any time hereafter, other than pursuant to the Note Registration Rights Agreement, provide to any holder of any securities of the Company rights with respect to the registration of such securities under the Securities Act or the Exchange Act, such rights shall not be in conflict with or adversely affect any of the rights provided in this Agreement to the holders of Registrable Common Stock.

12. *Adjustments Affecting Registrable Common Stock.*

The Company shall not effect or permit to occur any combination, subdivision or reclassification of Registrable Common Stock that would materially adversely affect the ability of the Holders to include such Registrable Common Stock in any registration of its securities under the Securities Act contemplated by this Agreement or the marketability of such Registrable Common Stock under any such registration or other offering.

13. *Rule 144 and Rule 144A.*

The Company shall take all actions reasonably necessary to enable Holders to sell Registrable Common Stock without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, (b) Rule 144A

under the Securities Act, as such Rule may be amended from time to time, or (c) any similar rules or regulations hereafter adopted by the Commission, including, without limiting the generality of the foregoing, filing on a timely basis all reports required to be filed under the Exchange Act. Upon the request of any Holder, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements.

14. *Amendments and Waivers.*

Any provision of this Agreement may be amended, modified or waived if, but only if, the written consent to such amendment, modification or waiver has been obtained from (i) except as provided in clause (ii) below, the Holder or Holders of at least 66⅔% of the shares of Registrable Common Stock affected by such amendment, modification or waiver and (ii) in the case of any amendment, modification or waiver of any provision of Section 5 or 9 hereof or this Section 14 or any provisions as to the number of requests for registration to which holders of Registrable Common Stock are entitled under Section 3 or 4 hereof, or as to the percentages of Holders required for any amendment, modification or waiver, or any amendment, modification or waiver which adversely affects any right and/or obligation under this Agreement of any Holder, the written consent of each Holder so affected.

15. *Nominees for Beneficial Owners.*

In the event that any Registrable Common Stock is held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election in writing delivered to the Company, be treated as the Holder of such Registrable Common Stock for purposes of any request or other action by any Holder or Holders pursuant to this Agreement or any determination of the number or percentage of shares of Registrable Common Stock held by any Holder or Holders contemplated by this Agreement. If the beneficial owner of any Registrable Common Stock so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Common Stock.

16. *Assignment.*

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns. Any Holder may assign to any permitted Transferee (as permitted under applicable law) of its Registrable Common Stock its rights and obligations under this Agreement, provided that such Transferee shall agree in writing with the parties hereto prior to the assignment to be bound by this Agreement as if it were an original party hereto, whereupon such assignee shall for all purposes be deemed to be a Holder under this Agreement. Except as provided above or otherwise permitted by this Agreement, neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by any Holder without the prior written consent of the other parties hereto. The Company may not assign this Agreement or any right, remedy, obligation or liability arising hereunder or by reason hereof.

17. *Calculation of Percentage or Number of Shares of Registrable Common Stock.*

For purposes of this Agreement, all references to a percentage or number of shares of Registrable Common Stock or Common Stock shall be calculated based upon the number of shares of Registrable Common Stock or Common Stock, as the case may be, outstanding at the time such calculation is made and shall exclude any Registrable Common Stock or Common Stock, as the case may be, owned by the Company or any subsidiary of the Company.

18. *Miscellaneous.*

(a) *Further Assurances.* Each of the parties hereto shall execute such documents and other papers and perform such further acts as may be reasonably required or desirable to carry out the provisions of this Agreement and the transactions contemplated hereby.

(b) *Headings.* The headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provisions hereof.

(c) *No Inconsistent Agreements.* The Company will not hereafter enter into any agreement which is inconsistent with the rights granted to the Holders in this Agreement.

(d) *Remedies.* Each Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and the Company hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(e) *Entire Agreement.* This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and there are no restrictions, promises, representations, warranties, covenants, or undertakings with respect to the subject matter hereof, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof.

(f) *Notices.* Any notices or other communications to be given hereunder by any party to another party shall be in writing, shall be delivered personally, by telecopy, by certified or registered mail, postage prepaid, return receipt requested, or by Federal Express or other comparable delivery service, to the address of the party set forth on Schedule B hereto or to such other address as the party to whom notice is to be given may provide in a written notice to the other parties hereto, a copy of which shall be on file with the Secretary of the Company. Notice shall be effective when delivered if given personally, when receipt is acknowledged if telecopied, three days after mailing if given by registered or certified mail as described above, and one business day after deposit if given by Federal Express or comparable delivery service.

(g) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made to be performed entirely in such State.

(h) *Severability.* Notwithstanding any provision of this Agreement, neither the Company nor any other party hereto shall be required to take any action which would be in violation of any applicable Federal or state securities law. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

(i) *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

WALTER INDUSTRIES, INC.

By _____

Name:
Title:

HOLDERS:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

SCHEDULE A

HOLDERS OF REGISTRABLE COMMON STOCK

Holder	Number and Type of Shares Owned

SCHEDULE B

NOTICES

If to the Company, to:

[ ]

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

with a copy to:

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

If to the Holders, to:

with a copy to:

EXHIBIT 5:

QUALIFIED SECURITIES REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT

by and among

WALTER INDUSTRIES, INC.

and

THE HOLDERS NAMED HEREIN

Dated as of , 1994

TABLE OF CONTENTS

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT, dated as of , 1994 (this "Agreement"), by and among Walter Industries, Inc., a Delaware corporation (the "Company"), and the holders of Registrable Notes (as hereinafter defined) who are signatories to this Agreement (the "Holders").

This Agreement is being entered into in connection with the acquisition of Notes (as hereinafter defined) on the date hereof by certain holders (the "Original Holders") pursuant to the Plan (as hereinafter defined). Upon the issuance of the Notes, each Original Holder will own the aggregate principal amount of Notes specified with respect to such Original Holder in Schedule A hereto.

To induce the holders of Registrable Notes (as hereinafter defined) to vote in favor of the Plan and to accept the issuance of the Notes by the Company under the Plan, the Company has undertaken to register Registrable Notes under the Securities Act (as hereinafter defined) and to take certain other actions with respect to the Registrable Notes. This Agreement sets forth the terms and conditions of such undertaking.

In consideration of the premises and the mutual agreements set forth herein, the parties hereto hereby agree as follows:

1. *Definitions.* Unless otherwise defined herein, capitalized terms used herein and in the recitals above shall have the following meanings:

"Affiliate" of a Person means any Person that controls, is under common control with, or is controlled by, such other Person. For purposes of this definition, "control" means the ability of one Person to direct the management and policies of another Person.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to be closed.

"Commission" means the U.S. Securities and Exchange Commission.

"Common Stock" means the shares of common stock, $.01 par value per share, of the Company, as adjusted to reflect any merger, consolidation, recapitalization, reclassification, split-up, stock dividend, rights offering or reverse stock split made, declared or effected with respect to the Common Stock.

"Common Stock Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date hereof, among the Company and the holders of Registrable Common Stock (as defined therein) who are signatories or are deemed to be signatories thereto.

"Effective Date" means the effective date of the Plan pursuant to the terms thereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or any similar or successor statute.

"Exchange Offer" shall mean the exchange offer by the Company of Exchange Securities for Registrable Notes pursuant to Section 2(b) hereof.

"Exchange Securities" means securities issued by the Company containing terms substantially identical to the Registrable Notes, to be offered to holders of Registrable Notes in exchange for Registrable Notes pursuant to the Exchange Offer.

"Expenses" means, except as set forth in Section 5 hereof, all expenses incident to the Company's performance of or compliance with its obligations under this Agreement, including, without limitation, all registration, filing, listing, stock exchange and NASD fees, all fees and expenses of complying with state securities or blue sky laws (including fees, disbursements and other charges of counsel for the underwriters in connection with blue sky filings), all word processing, duplicating and printing expenses, messenger and delivery expenses, all rating agency fees, the fees, disbursements and other charges of counsel for the Company and of its independent public accountants, including the expenses incurred in connection with "cold comfort" letters required by or incident to such performance and compliance, any fees and disbursements of underwriters customarily paid by issuers or sellers of securities and the reasonable fees, disbursements and

other charges of one firm of counsel (per registration prepared) to the holders of Registrable Notes making a request pursuant to Section 3(a) hereof (selected by the Holders holding a majority of the aggregate principal amount of Registrable Notes covered by such registration), but excluding underwriting discounts and commissions and applicable transfer taxes, if any, which discounts, commissions and transfer taxes shall be borne by the seller or sellers of Registrable Notes in all cases; *provided, that,* in the event the Company shall, in accordance with Section 4 or Section 9 hereof, not register any securities with respect to which it had given written notice of its intention to register to holders of Registrable Notes, notwithstanding anything to the contrary in the foregoing, all of the reasonable out-of-pocket costs incurred by Requesting Holders in connection with such registration (other than counsel fees, disbursements and other charges not referred to above) shall be deemed to be Expenses.

"Indenture" means the Indenture between the Company and , as trustee (the "Trustee"), dated , 1994, as amended from time to time, relating to the Notes.

"Initiating Holders" has the meaning set forth in Section 3(a) hereof.

"NASD" means the National Association of Securities Dealers, Inc.

"NASDAQ" means the National Association of Securities Dealers, Inc. Automated Quotation System.

"Notes" means $[ ] in aggregate principal amount of [ ][1] issued on the date hereof, and includes any securities of the Company issued or issuable with respect to such securities by way of a recapitalization, merger, consolidation or other reorganization or otherwise.

"Person" means any individual, corporation, partnership, firm, joint venture, association, joint stock company, trust, unincorporated organization, governmental or regulatory body or subdivision thereof or other entity.

"Plan" means the Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code for Walter Industries, Inc., as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

"Public Offering" means a public offering and sale of Common Stock pursuant to an effective registration statement under the Securities Act.

"Registrable Notes" means any of the Notes held by the Holders from time to time as to which registration pursuant to the Securities Act is required for a public sale.

"Requesting Holders" has the meaning set forth in Section 4 hereof.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar or successor statute.

"Selling Holders" means the holders of Registrable Notes requested to be registered pursuant to Section 3(a) hereof.

"Transfer" means any transfer, sale, assignment, pledge, hypothecation or other disposition of any interest. *"Transferor"* and *"Transferee"* have correlative meanings.

2. *Initial Registration Under the Securities Act.*

(a) *Shelf Registration.* The Company shall (i) cause to be filed not later than 45 days after the Effective Date a shelf registration statement pursuant to Rule 415 promulgated under the Securities Act (a "Shelf Registration") providing for the sale by the Holders of all of the Registrable Notes and (ii) use its reasonable best efforts to have such Shelf Registration thereafter declared effective by the Commission not later than 90 days after the Effective Date. Subject to Section 9(b), the Company agrees to use its reasonable best efforts to keep the Shelf Registration continuously effective until the first anniversary of the date such Shelf Registration is declared effective by the Commission or such shorter period which

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[1] Insert principal amount and title of Notes issued by the Company.

will terminate when all of the Registrable Notes covered by the Shelf Registration have been sold pursuant to the Shelf Registration. The Company further agrees, if necessary, to supplement or amend the Shelf Registration, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration or by the Securities Act or by any other rules and regulations thereunder for shelf registration, and the Company agrees to furnish to the Holders copies of any such supplement or amendment promptly after its being issued or filed with the Commission.

(b) *Exchange Registration.* Notwithstanding the provisions of Section 2(a), if the Company receives within the time period referred to in Section 2(c) the notice described therein, the Company shall, in lieu of causing a Shelf Registration with respect to the Registrable Notes to be filed and declared effective, cause to be filed with the Commission, and use its reasonable best efforts to have declared effective, not later than 45 days and 90 days, respectively, after receipt of such notice, a registration statement on an appropriate form (the "Exchange Registration") for the registration of the Exchange Securities to be offered in exchange for the Registrable Notes. The Company shall commence the Exchange Offer promptly after the Exchange Registration has been declared effective by the Commission by mailing the related exchange offer prospectus and accompanying documents to each Holder stating, in addition to such other disclosures as are required by applicable law:

(i) that the Exchange Offer is being made pursuant to this Agreement and that any and all Registrable Notes validly tendered will be accepted for exchange;

(ii) the date of acceptance for exchange (which shall be not less than 20 Business Days and not more than 30 Business Days from the date such notice is mailed, unless otherwise required by applicable law) (the "Exchange Date");

(iii) that Holders electing to have a Registrable Note exchanged pursuant to the Exchange Offer will be required to surrender such Registrable Note, together with the enclosed letters of transmittal, to the institution and at the address (located in the Borough of Manhattan, The City of New York) specified in the notice prior to the close of business on the Exchange Date; and

(iv) that Holders will be entitled to withdraw their election, not later than the close of business on the Exchange Date, by sending to the institution and at the address (located in the Borough of Manhattan, The City of New York) specified in the notice a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable Notes delivered for exchange and a statement that such Holder is withdrawing its election to have such Notes exchanged.

As soon as practicable after the Exchange Date, the Company shall:

(i) accept for exchange Registrable Notes or portions thereof tendered and not validly withdrawn pursuant to the Exchange Offer; and

(ii) deliver, or cause to be delivered, to the Trustee for cancellation all Registrable Notes or portions thereof so accepted for exchange by the Company and issue, and cause the Trustee under the Indenture to promptly authenticate and mail to each Holder, a new Exchange Security, equal in principal amount to the principal amount of the Registrable Notes surrendered by such Holder.

The Company shall complete the Exchange Offer as provided above and shall comply with the applicable requirements of the Securities Act, the Exchange Act and other applicable laws in connection with the Exchange Offer.

(c) The Company shall effect an Exchange Registration pursuant to Section 2(b) if, not later than the close of business on the 30th calendar day next succeeding the Effective Date of the Plan, the Company receives a notice from any Holder requesting the Company to effect the Exchange Registration and accompanied by a letter from legal counsel to such Holder to the effect that the operative facts surrounding such Exchange Registration are not materially different than the operative facts described in the interpretive letters of the Commission referred to in clause (i) below. In connection with the Exchange Registration, the Company (i) will provide a letter to the staff of the Commission that contains

statements and representations substantially in the form set forth in *Mary Kay Cosmetics, Inc.* (no-action letter available June 5, 1991), *Morgan Stanley & Co. Incorporated* (no-action letter available June 5, 1991), *Warnaco, Inc.* (no-action letter available October 11, 1991), *Epic Properties, Inc.* (no-action letter October 21, 1991) and no-action letters to similar effect and (ii) will not seek a "no-action" or interpretive position from the Commission with respect to the Exchange Registration without the consent of the Holders of a majority of the outstanding aggregate principal amount of Registrable Notes.

(d) *Effective Registration Statement.* A Shelf Registration pursuant to Section 2(a) or an Exchange Registration pursuant to Section 2(b) hereof shall not be deemed to have been effected

(i) unless a registration statement with respect thereto has been declared effective by the Commission and remains effective in compliance with the provisions of the Securities Act and the laws of any state or other jurisdiction applicable to the disposition of all Registrable Notes covered by such registration statement, in the case of a Shelf Registration pursuant to Section 2(a) hereto, until such time as all of such Registrable Notes have been disposed of in accordance with such registration statement (provided that such period need not exceed one year) and, in the case of an Exchange Offer Registration pursuant to Section 2(b) hereof, until the closing of the Exchange Offer, or,

(ii) if, after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental or regulatory agency or court for any reason other than a violation of applicable law solely by the Holders and has not thereafter become effective.

3. *Securities Act Registration on Request.*

(a) *Request.* At any time and from time to time after the completion of the Exchange Offer or the expiration of the Shelf Registration filed by the Company pursuant to Section 2(a) hereof (the "Initial Shelf"), one or more Holders (the "Initiating Holders") may make a written request (the "Initiating Request") to the Company for the registration with the Commission under the Securities Act of all or part of such Initiating Holders' Registrable Notes; *provided, however,* that such request shall be made by one or more Holders of at least 20% of the outstanding aggregate principal amount of Registrable Notes, which request shall specify the aggregate principal amount of Registrable Notes to be disposed of and the proposed plan of distribution therefor. Upon the receipt of any Initiating Request for registration pursuant to this paragraph, the Company promptly shall notify in writing all other Holders of the receipt of such request and will use its best efforts to effect, at the earliest possible date (taking into account any delay that may result from any special audit required by applicable law), such registration under the Securities Act, including a Shelf Registration, of

(i) the Registrable Notes which the Company has been so requested to register by such Initiating Holder, and

(ii) all other Registrable Notes which the Company has been requested to register by any other Holders by written request given to the Company within 30 days after the giving of written notice by the Company to such other Holders of the Initiating Request,

all to the extent necessary to permit the disposition (in accordance with Section 3(c) hereof) of the Registrable Notes so to be registered; *provided, that,*

(A) the Company shall not be required to effect more than a total of two registrations pursuant to this Section 3(a),

(B) if the intended method of distribution is an underwritten public offering, the Company shall not be required to effect such registration pursuant to this Section 3(a) unless such underwriting shall be conducted on a "firm commitment" basis,

(C) if the Company shall have previously effected a registration pursuant to this Section 3(a) or shall have previously effected a registration of which notice has been given to

the Holders pursuant to Section 4 hereof, a Holder shall not request and the Company shall not be required to effect any registration pursuant to this Section 3(a) or Section 4 hereof until a period of 180 days shall have elapsed from the date on which such registration ceased to be effective,

(D) subject to the last sentence of Section 5(a) hereof, any Holder whose Registrable Notes was to be included in any such registration, by written notice to the Company, may withdraw such request and, on receipt of such notice of the withdrawal of such request from Holders holding a percentage of Registrable Notes, such that the Holders that have not elected to withdraw do not hold, in the aggregate, the requisite percentage of the Registrable Notes to initiate a request under this Section 3(a), the Company shall not effect such registration, and

(E) the Company shall not be required to effect any registration to be effected pursuant to this Section 3(a) unless at least 20% of the principal amount of Registrable Notes outstanding at the time of such request is to be included in such registration.

(b) *Registration of Other Securities.* Whenever the Company shall effect a registration pursuant to Section 3(a) hereof, no securities other than Registrable Notes shall be included among the securities covered by such registration unless the Selling Holders holding not less than a majority of the aggregate principal amount of Registrable Notes to be covered by such registration shall have consented in writing to the inclusion of such other securities.

(c) *Registration Statement Form.* Registrations under Section 3(a) hereof shall be on such appropriate registration form prescribed by the Commission under the Securities Act as shall be selected by the Company and as shall permit the disposition of the Registrable Notes pursuant to an underwritten offering unless the Selling Holders holding at least a majority of the aggregate principal amount of Registrable Notes requested to be included in such registration statement determine otherwise, in which case pursuant to the method of disposition determined by such Selling Holders. The Company agrees to include in any such registration statement filed pursuant to Section 3(a) hereof all information which any Selling Holder, upon advice of counsel, shall reasonably request. The Company may, if permitted by law, effect any registration requested under this Section 3 by the filing of a registration statement on Form S-3 (or any successor or similar short form registration statement).

(d) *Effective Registration Statement.* A registration requested pursuant to Section 3(a) hereof shall not be deemed to have been effected

(i) unless a registration statement with respect thereto has been declared effective by the Commission and remains effective in compliance with the provisions of the Securities Act and the laws of any state or other jurisdiction applicable to the disposition of all Registrable Notes covered by such registration statement until such time as all of such Registrable Notes have been disposed of in accordance with such registration statement, *provided, that,* except with respect to any Shelf Registration, such period need not exceed 90 days, and, *provided, further,* that with respect to any Shelf Registration, such period need not extend beyond the period provided for in Section 3(g) hereof,

(ii) if, after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental or regulatory agency or court for any reason other than a violation of applicable law solely by the Selling Holders and has not thereafter become effective or

(iii) if, in the case of an underwritten offering, the conditions to closing specified in an underwriting agreement to which the Company is a party are not satisfied other than by reason of any breach or failure by the Selling Holders, or are not otherwise waived.

The holders of Registrable Notes to be included in a registration statement may at any time terminate a request for registration made pursuant to Section 3(a) in accordance with Sec-

tion 3(a)(ii)(D). Expenses incurred in connection with a request for registration terminated pursuant to this paragraph shall be paid in accordance with the last sentence of Section 5(a) hereof.

(e) *Selection of Underwriters.* The underwriter or underwriters of each underwritten offering, if any, of the Registrable Notes to be registered pursuant to Section 3(a) hereof (i) shall be a nationally recognized underwriter (or underwriters), (ii) shall be selected by the Selling Holders owning at least a majority of the aggregate outstanding principal amount of Registrable Notes to be registered and (iii) shall be reasonably acceptable to the Company.

(f) *Priority in Requested Registration.* If a registration under Section 3 hereof involves an underwritten public offering, and the managing underwriter of such underwritten offering shall advise the Company in writing (with a copy to each Holder requesting that Registrable Notes be included in such registration statement) that, in its opinion, the aggregate principal amount of Registrable Notes requested to be included in such registration exceeds the aggregate principal amount of such securities that can be sold in such offering within a price range stated to such managing underwriter by Selling Holders owning at least a majority of the aggregate principal amount of Registrable Notes requested to be included in such registration to be acceptable to such Selling Holders, the Company shall include in such registration, to the extent of the number and type of securities which the Company is advised can be sold in such offering, (i) all Registrable Notes requested to be registered pursuant to Section 3(a) hereof, *pro rata* among the Selling Holders on the basis of the aggregate principal amount of Registrable Notes requested to be registered by all such holders, and no other Notes, whether to be sold by the Company or any other Person.

(g) *Shelf Registrations.* If the first demand made pursuant to Section 3(a) hereof is for a Shelf Registration, the period for which such Shelf Registration must remain effective need not extend beyond one year from the date on which such Shelf Registration is declared effective by the Commission and the period for which any subsequent Shelf Registration must remain effective need not extend beyond nine months from the date on which such Shelf Registration is declared effective by the Commission.

4. *Piggyback Registration.* If the Company at any time after the completion of the Exchange Offer or the termination of the Initial Shelf, as the case may be, proposes to register any of its securities (other than any registration of Registrable Common Stock pursuant to the Common Stock Registration Rights Agreement) under the Securities Act by registration on any forms other than Form S-4 or S-8 (or any successor or similar forms(s)), whether or not pursuant to registration rights granted to other holders of its securities and whether or not for sale for its own account, it shall give prompt written notice to all of the Holders of its intention to do so and of such Holders' rights (if any) under this Section 4, which notice, in any event, shall be given at least 30 days prior to such proposed registration. Upon the written request of any Holder receiving notice of such proposed registration that is a holder of Registrable Notes (a "Requesting Holder") made within 20 days after the receipt of any such notice (10 days if the Company states in such written notice or gives telephonic notice to the relevant securityholders, with written confirmation to follow promptly thereafter, stating that (i) such registration will be on Form S-3 and (ii) such shorter period of time is required because of a planned filing date), which request shall specify the Registrable Notes intended to be disposed of by such Requesting Holder and the minimum offering price per $1,000 principal amount of Note at which the Holder is willing to sell its Registrable Notes, the Company shall, subject to Section 7(b) hereof, effect the registration under the Securities Act of all Registrable Notes which the Company has been so requested to register by the Requesting Holders thereof; *provided, that,*

(A) prior to the effective date of the registration statement filed in connection with such registration, promptly following receipt of notification by the Company from the managing underwriter of the price at which such securities are to be sold, the Company shall so advise each Requesting Holder of such price, and if such price is below the minimum price which any Requesting Holder shall have indicated to be acceptable to such Requesting Holder, such Requesting Holder shall then have the right irrevocably to withdraw its request to have its Registrable Notes included in such registration statement, by delivery of written notice of such withdrawal to the Company within five business days of its being advised of such price, without

prejudice to the rights of any holder or holders of Registrable Notes to include Registrable Notes in any future registration (or registrations) pursuant to this Section 4 or to cause such registration to be effected as a registration under Section 3(a) hereof, as the case may be;

(B) if at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each Requesting Holder and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Notes in connection with such registration (but not from any obligation of the Company to pay the Expenses in connection therewith), without prejudice, however, to the rights of any Holder to include Registrable Notes in any future registration (or registrations) pursuant to this Section 4 or to cause such registration to be effected as a registration under Section 3(a) hereof, as the case may be, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Notes, for the same period as the delay in registering such other securities; and

(C) if such registration involves an underwritten offering, each Requesting Holder shall sell its Registrable Securities on the same terms and conditions as those that apply to the Company.

No registration effected under this Section 4 shall relieve the Company of its obligation to effect any registration upon request under Section 3(a) hereof and no registration effected pursuant to this Section 4 shall be deemed to have been effected pursuant to Section 3(a) hereof.

5. *Expenses.* The Company shall pay all Expenses in connection with any registration initiated pursuant to Section 2(a), 2(b), 3(a) or 4 hereof, whether or not such registration shall become effective and whether or not all or any portion of the Registrable Notes originally requested to be included in such registration are ultimately included in such registration. Notwithstanding the foregoing, if any request for registration made pursuant to Section 3(a) hereof is withdrawn or terminated by the Selling Holders prior to the registration becoming effective, the Expenses incurred in connection with such request shall be borne by the Selling Holders *pro rata* on the basis of the aggregate principal amount of Registrable Notes requested to be registered pursuant to such demand by each Selling Holder; *provided, however,* that, in the case of an underwritten Public Offering, if such request for registration is withdrawn or terminated by the Selling Holders prior to the registration becoming effective because the offering price of the Registrable Notes requested to be registered would, in the opinion of the managing underwriter of such offering, be less than 90% of the estimated offering price of the Notes as indicated in writing by the managing underwriter prior to the initial filing of such registration statement with the Commission, the Company shall pay 50% of the Expenses in connection with such registration, and the Selling Holders shall pay the remaining 50% on a *pro rata* basis.

6. *Registration Procedures.* If and whenever the Company is required to effect any registration under the Securities Act as provided in Sections 2(a), 2(b), 3(a) and 4 hereof, the Company shall, as expeditiously as possible:

(a) prepare and file with the Commission (promptly and, in the case of any registration pursuant to Section 3(a), in any event on or before the date that is (i) 90 days after the end of the period within which requests for registration may be given to the Company or (ii) if, as of such ninetieth day, the Company does not have the audited financial statements required to be included in the registration statement, 30 days after the receipt by the Company from its independent public accountants of such audited financial statements, which the Company shall use its reasonable best efforts to obtain as promptly as practicable) the requisite registration statement to effect such registration and thereafter use its reasonable best efforts to cause such registration statement to become effective; *provided, however,* that the Company may discontinue any registration of its securities that are not Registrable Notes (and, under the circumstances specified in Sections 4 and 9(b) hereof, its securities that are Registrable Notes) at any time prior to the effective date of the registration statement relating thereto;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Notes covered by such registration statement until such time as all of such Registrable Notes has been disposed of in accordance with the method of disposition set forth in such registration statement; *provided, that,* except with respect to any Shelf Registration, such period need not extend beyond 90 days after the effective date of the registration statement; and *provided, further,* that with respect to the Initial Shelf, such period need not extend beyond one year after the effective date of such registration statement and, with respect to any Shelf Registration other than the Initial Shelf, such period need not exceed the applicable period provided for in Section 3(g) hereof;

(c) in the case of a registration pursuant to Section 2(a), 3(a) or 4 hereof, furnish to each seller of Registrable Notes covered by such registration statement such number of copies of such drafts and final conformed versions of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits and any documents incorporated by reference), such number of copies of such drafts and final versions of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as such seller may reasonably request in writing;

(d) use its reasonable best efforts (i) to register or qualify all Registrable Notes and other securities covered by such registration statement under such other securities or blue sky laws of such states or other jurisdictions of the United States of America as the sellers of Registrable Notes covered by such registration statement shall reasonably request in writing, (ii) to keep such registration or qualification in effect for so long as such registration statement remains in effect and (iii) to take any other action that may be reasonably necessary or advisable to enable such sellers to consummate the disposition in such jurisdictions of the securities to be sold by such sellers, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subsection (d) be obligated to be so qualified, to subject itself to taxation in such jurisdiction or to consent to general service of process in any such jurisdiction;

(e) use its best efforts to cause all Registrable Notes and other securities covered by such registration statement to be registered with or approved by such other federal or state governmental agencies or authorities as may be necessary in the opinion of counsel to the Company and counsel to the seller or sellers of Registrable Notes to enable the seller or sellers thereof to consummate the disposition of such Registrable Notes;

(f) use its best efforts to obtain and, if obtained, furnish to each seller of Registrable Notes, and each such seller's underwriters, if any, a signed

(i) opinion of counsel for the Company, dated the effective date of such registration statement (and, if such registration involves an underwritten offering, dated the date of the closing under the underwriting agreement), reasonably satisfactory in form and substance to such seller, and

(ii) "comfort" letter, dated the effective date of such registration statement (and, if such registration involves an underwritten offering, dated the date of the closing under the underwriting agreement) and signed by the independent public accountants who have certified the Company's financial statements included or incorporated by reference in such registration statement, reasonably satisfactory in form and substance to such seller,

in each case, covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' comfort letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' comfort letters delivered to underwriters in underwritten Public Offerings of securities and, in the case of the accountants' comfort letter, such other financial matters, and, in the case of the legal opinion, such other legal matters, as the sellers of

the Registrable Notes covered by such registration statement or the underwriters, if any, may reasonably request;

(g) notify each seller of Registrable Notes and other securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and, at the request of any such seller of Registrable Notes, promptly prepare and furnish to it a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus, as supplemented or amended, shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(h) otherwise comply with all applicable rules and regulations of the Commission and any other governmental agency or authority having jurisdiction over the offering, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder, and furnish to each seller of Registrable Notes at least ten days prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus;

(i) upon a request of the Holders of a majority of the aggregate principal amount of Registrable Notes requested to be included in a registration pursuant to Section 3(a) or 4 hereof, made at any time on and after the first anniversary of the date hereof, use its best efforts to cause all such Registrable Notes covered by such registration statement (i) to be listed on a national securities exchange on which similar securities issued by the Company are then listed, if the listing of such Registrable Notes is then permitted under the rules of such exchange or (ii) if the Company is not required pursuant to clause (i) above to list such securities covered by such registration statement on a national securities exchange, use its best efforts to secure designation of all Registrable Notes covered by such registration statement as a NASDAQ "national market system security" within the meaning of Rule 11Aa2-1 of the Commission or, failing that, to secure NASDAQ authorization for such Registrable Notes and, without limiting the generality of the foregoing, to arrange for at least two market makers to register with the NASD as such with respect to such Registrable Notes;

(j) obtain a CUSIP number for all Exchange Securities or Registrable Notes, as the case may be, not later than the effective date of the registration statement with respect to such Exchange Securities or Registrable Notes, as the case may be;

(k) use its best efforts to cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (the "TIA"), in connection with the registration of the Exchange Securities or Registrable Notes, as the case may be, and cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and execute and use its best efforts to cause the Trustee to execute all documents as may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable the Indenture to be so qualified in a timely manner; and

(l) enter into such agreements and take such other actions as any Holder or Holders of Registrable Notes covered by such registration statement shall reasonably request in order to expedite or facilitate the disposition of such Registrable Notes.

The Company may require each seller of Registrable Notes as to which any registration is being effected to furnish the Company such information regarding such seller and the distribution of the securities covered

by such registration statement as the Company may from time to time reasonably request in writing and as is required by applicable laws and regulations.

In the case of a registration pursuant to Section 2(a), 3(a) or 4 hereof, each Holder agrees that as of the date that a final prospectus is made available to it for distribution to prospective purchasers of Registrable Notes it shall cease to distribute copies of any preliminary prospectus prepared in connection with the offer and sale of such Registrable Notes. Each Holder further agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in subsection (g) of this Section 6, such Holder shall forthwith discontinue such Holder's disposition of Registrable Notes pursuant to the registration statement relating to such Registrable Notes until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by subsection (g) of this Section 6 and, if so directed by the Company, shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the prospectus relating to such Registrable Notes current at the time of receipt of such notice. If any event of the kind described in subsection (g) of this Section 6 occurs and such event is the fault solely of a Holder (or Holders), such Holder (or Holders) shall pay all Expenses attributable to the preparation, filing and delivery of any supplemented or amended prospectus contemplated by subsection (g) of this Section 6.

7. *Underwritten Offerings.*

(a) *Requested Underwritten Offerings.* If requested by the underwriters in connection with a request for a registration under Section 3 hereof, the Company shall enter into a firm commitment underwriting agreement with such underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to the Company and a majority of the Selling Holders whose Registrable Notes are included in such registration, and the underwriters and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including, without limitation, indemnification and contribution to the effect and to the extent provided in Section 10 hereof.

(b) *Piggyback Underwritten Offerings; Priority.* If the Company proposes to register any of its securities under the Securities Act as contemplated by Section 4 hereof and such securities are to be distributed by or through one or more underwriters, the Company shall, if requested by any Requesting Holders, use its best efforts to arrange for such underwriters to include all of the Registrable Notes to be offered and sold by such Requesting Holders among the securities of the Company to be distributed by such underwriters; *provided, that,* if the managing underwriter of such underwritten offering shall advise the Company in writing (with a copy to the Requesting Holders) that if all the Registrable Notes requested to be included in such registration were so included, in its opinion, the number and type of securities proposed to be included in such registration would exceed the number and type of securities which could be sold in such offering within a price range acceptable to the Company (such writing to state the basis of such opinion and the approximate number and type of securities which may be included in such offering without such effect), then the Company shall include in such registration, to the extent of the number and type of securities which the Company is so advised can be sold in such offering, (i) first, securities that the Company proposes to issue and sell for its own account and (ii) second, Registrable Notes requested to be registered by Requesting Holders pursuant to Section 4 hereof, *pro rata* among the Requesting Holders on the basis of the aggregate principal amount of Registrable Notes requested to be registered by all such Requesting Holders.

Any Requesting Holder may withdraw its request to have all or any portion of its Registrable Notes included in any such offering by notice to the Company within 10 Business Days after receipt of a copy of a notice from the managing underwriter pursuant to this Section 7(b).

(c) *Holders of Registrable Notes to be Parties to Underwriting Agreement.* The holders of Registrable Notes to be distributed by underwriters in an underwritten offering contemplated by subsections (a) or (b) of this Section 7 shall be parties to the underwriting agreement between the Company and such underwriters and any such Holder, at its option, may require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the

benefit of such underwriters shall also be made to and for the benefit of such Holders and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such Holders. No such Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such holder, such Holder's Registrable Notes and such Holder's intended method of distribution.

(d) *Selection of Underwriters for Piggyback Underwritten Offering.* The underwriter or underwriters of each piggyback underwritten offering pursuant to this Section 7 shall be a nationally recognized underwriter (or underwriters) selected by the Company.

(e) *Holdback Agreements.* Each Holder agrees, if so required by the managing underwriter for any underwritten offering pursuant to this Agreement, not to effect any sale or distribution of any debt securities of the Company issued after the date hereof during the 10 days prior to the date on which an underwritten registration of Registrable Notes pursuant to Section 2(a), 3 or 4 hereof has become effective and until 120 days after the effective date of such underwritten registration, except as part of such underwritten registration or to the extent that such Holder is prohibited by applicable law from agreeing to withhold securities from sale or is acting in its capacity as a fiduciary or an investment adviser. Without limiting the scope of the term "fiduciary," a holder shall be deemed to be acting as a fiduciary or an investment adviser if its actions or the securities proposed to be sold are subject to the Employee Retirement Income Security Act of 1974, as amended, the Investment Company Act of 1940, as amended, or the Investment Advisers Act of 1940, as amended, or if such securities are held in a separate account under applicable insurance law or regulation.

The Company agrees (i) not to effect any Public Offering or distribution of any debt securities of the Company during the 10 days prior to the date on which any underwritten registration pursuant to Section 2(a), 3 or 4 hereof has become effective and until 120 days after the effective date of such underwritten registration, except as part of such underwritten registration, and (ii) to cause each holder of any debt securities acquired from the Company at any time on or after the date of this Agreement (other than in a Public Offering), to agree not to effect any Public Offering or distribution of such securities, during such period.

8. *Preparation; Reasonable Investigation.*

(a) *Registration Statements.* In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company shall give each holder of Registrable Notes registered under such registration statement, the underwriters, if any, and its respective counsel and accountants the reasonable opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and shall give each of them such reasonable access to its books and records and such reasonable opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the reasonable opinion of any such Holders' and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

(b) *Confidentiality.* Each Holder of Registrable Notes shall maintain the confidentiality of any confidential information received from or otherwise made available by the Company to such Holder of Registrable Notes and identified in writing by the Company as confidential. Information that (i) is or becomes available to a Holder of Registrable Notes from a public source, (ii) is disclosed to a Holder of Registrable Notes by a third-party source who the Holder of Registrable Notes reasonably believes has the right to disclose such information or (iii) is or becomes required to be disclosed by a holder of Registrable Notes by law, including by court order, shall not be deemed to be confidential information for purposes of this Agreement. The Holders of Registrable Notes shall not grant access, and the Company shall not be required to grant access, to information under this Section 8 to any Person who will not agree to maintain the confidentiality (to the same extent a Holder is required to maintain confidentiality) of any confidential information received from or otherwise made available to it by the Company or the

holders of Registrable Notes under this Agreement and identified in writing by the Company as confidential.

9. *Postponements.*

(a) If the Company shall fail to file any registration statement to be filed pursuant to a request for registration under Section 3(a) hereof, the Holders requesting such registration shall have the right to withdraw the request for registration if such withdrawal shall be made by holders of Notes holding an aggregate principal amount of Notes such that the Holders that have not elected to withdraw do not hold the requisite percentage of Notes to initiate a request under Section 3. Any such withdrawal shall be made by giving written notice to the Company within 20 days after, in the case of a request pursuant to Section 3(a) hereof, the date on which a registration statement would otherwise have been required to have been filed with the Commission under clause (i) of Section 6(a) hereof (*i.e.*, 20 days after the date that is 90 days after the conclusion of the period within which requests for registration may be given to the Company, or, if, as of such ninetieth day, the Company does not have the audited financial statements required to be included in the registration statement, 30 days after the receipt by the Company from its independent public accountants of such audited financial statements). In the event of such withdrawal, the request for registration shall not be counted for purposes of determining the number of registrations to which Holders are entitled pursuant to Section 3 hereof. The Company shall pay all Expenses incurred in connection with a request for registration withdrawn pursuant to this paragraph.

(b) The Company shall not be obligated to file any registration statement other than the Initial Shelf or the Exchange Registration, or file any amendment or supplement to any registration statement other than the Initial Shelf or the Exchange Registration, and may suspend any seller's rights to make sales pursuant to any effective registration statement (provided that it may not suspend the Company's or any Holder's rights to make exchanges or sales pursuant to the Exchange Registration or the Initial Shelf, respectively, prior to the ninetieth day following the date on which the Exchange Registration or the Initial Shelf initially is declared effective), at any time when the Company, in the good faith judgment of its Board of Directors, reasonably believes that the filing thereof at the time requested, or the offering of securities pursuant thereto, would adversely affect a pending or proposed public offering of the Company's securities, a material financing, or a material acquisition, merger, recapitalization, consolidation, reorganization or similar transaction, or negotiations, discussions or pending proposals with respect thereto. The filing of a registration statement, or any amendment or supplement thereto, by the Company cannot be deferred, and the sellers' rights to make sales pursuant to an effective registration statement cannot be suspended, pursuant to the provisions of the preceding sentence for more than ten days after the abandonment or consummation of any of the foregoing proposals or transactions or for more than 60 days after the date of the Board's determination referenced in the preceding sentence. If the Company suspends the sellers' rights to make sales pursuant hereto, the applicable registration period shall be extended by the number of days of such suspension.

10. *Indemnification.*

(a) *Indemnification by the Company.* In connection with any registration statement filed by the Company pursuant to Section 2(a), 3(a) or 4 hereof, the Company shall, and hereby agrees to, indemnify and hold harmless, each Holder and seller of any Registrable Notes covered by such registration statement and each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such Holder or seller or any such underwriter, and their respective directors, officers, partners, agents and Affiliates (each, a "Company Indemnitee" for purposes of this Section 10(a)), against any losses, claims, damages, liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof and whether or not such Indemnified Party is a party thereto), joint or several, and expenses, including, without limitation, the reasonable fees, disbursements and other charges of legal counsel and reasonable costs of investigation, to which such Company Indemnitee may become subject under the Securities Act or otherwise (collectively, a "Loss" or "Losses"), insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were

registered or otherwise offered or sold under the Securities Act or otherwise, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto (collectively, "Offering Documents"), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances in which they were made not misleading; *provided, that*, the Company shall not be liable in any such case to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Offering Documents in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by or on behalf of such Company Indemnitee specifically stating that it is expressly for use therein; and *provided, further*, that the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Notes or any other Person, if any, who controls such underwriter, in any such case to the extent that any such Loss arises out of such Person's failure to send or give a copy of the final prospectus (including any documents incorporated by reference therein), as the same may be then supplemented or amended, to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Notes to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Company Indemnitee and shall survive the transfer of such securities by such Company Indemnitee.

(b) *Indemnification by the Offerors and Sellers.* In connection with any registration statement filed by the Company pursuant to Section 2(a), 3(a) or 4 hereof in which a Holder has registered for sale Registrable Notes, each such Holder or seller of Registrable Notes shall, and hereby agrees to, indemnify and hold harmless the Company and each of its directors, officers, employees and agents, each other Person, if any, who controls the Company and each other seller and such seller's directors, officers, stockholders, partners, employees, agents and affiliates (each, a "Holder Indemnitee" for purposes of this Section 10(b)), against all Losses insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Offering Documents (or any document incorporated by reference therein) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of circumstances in which they were made not misleading, if such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such Holder or seller of Registrable Notes specifically stating that it is expressly for use therein; *provided, however,* that the liability of such indemnifying party under this Section 10(b) shall be limited to the amount of the net proceeds received by such indemnifying party in the offering giving rise to such liability. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Holder Indemnitee and shall survive the transfer of such securities by such Holder.

(c) *Notices of Losses, etc.* Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a Loss referred to in the preceding subsections of this Section 10, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; *provided, however*, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 10, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, the indemnifying party shall be entitled to participate in and, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such Loss, to assume and control the defense thereof, in each case at its own expense, jointly with any other indemnifying party similarly notified, to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after its assumption of the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall be liable for any settlement of any such action or proceeding effected without its written consent, which shall not be

unreasonably withheld. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such Loss or which requires action on the part of such indemnified party or otherwise subjects the indemnified party to any obligation or restriction to which it would not otherwise be subject.

(d) *Contribution.* If the indemnification provided for in this Section 10 shall for any reason be unavailable to an indemnified party under subsection (a) or (b) of this Section 10 in respect of any Loss, then, in lieu of the amount paid or payable under subsection (a) or (b) of this Section 10, the indemnified party and the indemnifying party under subsection (a) or (b) of this Section 10 shall contribute to the aggregate Losses (including legal or other expenses reasonably incurred in connection with investigating the same) (i) in such proportion as is appropriate to reflect the relative fault of the Company and the prospective sellers of Registrable Notes covered by the registration statement which resulted in such Loss or action in respect thereof, with respect to the statements, omissions or action which resulted in such Loss or action in respect thereof, as well as any other relevant equitable considerations, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and such prospective sellers, on the other hand, from their sale of Registrable Notes; *provided, that,* for purposes of this clause (ii), the relative benefits received by the prospective sellers shall be deemed not to exceed the amount received by such sellers. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The obligations, if any, of the selling holders of Registrable Notes to contribute as provided in this subsection (d) are several in proportion to the relative value of their respective Registrable Notes covered by such registration statement and not joint. In addition, no Person shall be obligated to contribute hereunder any amounts in payment for any settlement of any action or Loss effected without such Person's consent.

(e) *Other Indemnification.* The Company and, in connection with any registration statement filed by the Company pursuant to Section 2(a), each Holder shall, and, in connection with any registration statement filed by the Company pursuant to Section 3(a) or 4, each Holder who has registered for sale Registrable Notes, shall, with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority other than the Securities Act, indemnify Holder Indemnitees and Company Indemnitees, respectively, against Losses, or, to the extent that indemnification shall be unavailable to a Holder Indemnitee or Company Indemnitee, contribute to the aggregate Losses of such Holder Indemnitee or Company Indemnitee in a manner similar to that specified in the preceding subsections of this Section 10 (with appropriate modifications).

(f) *Indemnification Payments.* The indemnification and contribution required by this Section 10 shall be made by periodic payments of the amount thereof during the course of any investigation or defense, as and when bills are received or any Loss is incurred.

11. *Registration Rights to Others.*

If the Company shall at any time hereafter, other than pursuant to the Common Stock Registration Rights Agreement, provide to any holder of any securities of the Company rights with respect to the registration of such securities under the Securities Act or the Exchange Act, such rights shall not be in conflict with or adversely affect any of the rights provided in this Agreement to the holders of Registrable Notes.

12. *Adjustments Affecting Registrable Notes.*

The Company shall not effect or permit to occur any combination, subdivision or reclassification of Registrable Notes that would materially adversely affect the ability of the Holders to include such Registrable Notes in any registration of its securities under the Securities Act contemplated by this Agreement or the marketability of such Registrable Notes under any such registration or other offering.

13. *Rule 144 and Rule 144A.*

The Company shall take all actions reasonably necessary to enable Holders to sell Registrable Notes without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, (b) Rule 144A under the Securities Act, as such Rule may be amended from time to time, or (c) any similar rules or regulations hereafter adopted by the Commission, including, without limiting the generality of the foregoing, filing on a timely basis all reports required to be filed under the Exchange Act. Upon the request of any Holder, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements.

14. *Amendments and Waivers.*

Any provision of this Agreement may be amended, modified or waived if, but only if, the written consent to such amendment, modification or waiver has been obtained from (i) except as provided in clause (ii) below, the Holder or Holders of at least 66⅔% of the aggregate principal amount of Registrable Notes affected by such amendment, modification or waiver and (ii) in the case of any amendment, modification or waiver of any provision of Section 5 or 9 hereof or this Section 14 or any provisions as to the number of requests for registration to which holders of Registrable Notes are entitled under Section 3 or 4 hereof, or as to the percentages of Holders required for any amendment, modification or waiver, or any amendment, modification or waiver which adversely affects any right and/or obligation under this Agreement of any Holder, the written consent of each Holder so affected.

15. *Nominees for Beneficial Owners.*

In the event that any Registrable Note is held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election in writing delivered to the Company, be treated as the Holder of such Registrable Note for purposes of any request or other action by any Holder or Holders pursuant to this Agreement or any determination of the number or percentage of principal amount of Registrable Notes held by any Holder or Holders contemplated by this Agreement. If the beneficial owner of any Registrable Notes so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Notes.

16. *Assignment.*

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns. Any Holder may assign to any permitted Transferee (as permitted under applicable law) of its Registrable Notes its rights and obligations under this Agreement, provided that such Transferee shall agree in writing with the parties hereto prior to the assignment to be bound by this Agreement as if it were an original party hereto, whereupon such assignee shall for all purposes be deemed to be a Holder under this Agreement. Except as provided above or otherwise permitted by this Agreement, neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by any Holder without the prior written consent of the other parties hereto. The Company may not assign this Agreement or any right, remedy, obligation or liability arising hereunder or by reason hereof.

17. *Calculation of Percentage of Principal Amount of Registrable Notes.*

For purposes of this Agreement, all references to an aggregate principal amount of Registrable Notes or a percentage thereof shall be calculated based upon the aggregate principal amount of Registrable Notes outstanding at the time such calculation is made and shall exclude any Registrable Notes or Notes, as the case may be, owned by the Company or any subsidiary of the Company.

18. *Miscellaneous.*

(a) *Further Assurances.* Each of the parties hereto shall execute such documents and other papers and perform such further acts as may be reasonably required or desirable to carry out the provisions of this Agreement and the transactions contemplated hereby.

(b) *Headings.* The headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provisions hereof.

(c) *No Inconsistent Agreements.* The Company will not hereafter enter into any agreement which is inconsistent with the rights granted to the Holders in this Agreement.

(d) *Remedies.* Each Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and the Company hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(e) *Entire Agreement.* This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and there are no restrictions, promises, representations, warranties, covenants, or undertakings with respect to the subject matter hereof, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof.

(f) *Notices.* Any notices or other communications to be given hereunder by any party to another party shall be in writing, shall be delivered personally, by telecopy, by certified or registered mail, postage prepaid, return receipt requested, or by Federal Express or other comparable delivery service, to the address of the party set forth on Schedule B hereto or to such other address as the party to whom notice is to be given may provide in a written notice to the other parties hereto, a copy of which shall be on file with the Secretary of the Company. Notice shall be effective when delivered if given personally, when receipt is acknowledged if telecopied, three days after mailing if given by registered or certified mail as described above, and one business day after deposit if given by Federal Express or comparable delivery service.

(g) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made to be performed entirely in such State.

(h) *Severability.* Notwithstanding any provision of this Agreement, neither the Company nor any other party hereto shall be required to take any action which would be in violation of any applicable Federal or state securities law. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

(i) *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

WALTER INDUSTRIES, INC.

By _____
Name:
Title:

HOLDERS:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

[ ]

By _____
Name:
Title:

SCHEDULE A

HOLDERS OF REGISTRABLE NOTES

Holder	Aggregate Principal Amount

SCHEDULE B

NOTICES

If to the Company, to:

[ ]

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

with a copy to:

_____

_____

_____

Attention: _____

Tel: _____

Fax: _____

If to the Holders, to:

with a copy to:

EXHIBIT 6:

REJECTED EXECUTORY CONTRACTS

REJECTED EXECUTORY CONTRACTS

1. The agreement (or agreements) under which KKR provides financial, financial advisory, consulting and/or any other services to Hillsborough and/or any other Debtor or Affiliate thereof.
2. Letter Agreement (as defined in the Disclosure Statement), dated September 18, 1987, between the KKR Investors and the Drexel Burnham Lambert Group and the related agreement with purchasers of Securities.
3. All Management Common Stock Subscription Agreements (as defined in the Disclosure Statement).
4. The Registration Rights Agreement (as defined in the Disclosure Statement).
5. All agreements containing or evidencing Stock Acquisition Rights, including without limitation all options granted under the Stock Option Plan for Key Employees of Walter Industries and its Subsidiaries approved in October 1987; such plan; and all Old Option Agreements (as defined in the Disclosure Statement).

EXHIBIT 7:

FORM OF MUTUAL RELEASES

RELEASE

(Lehman Brothers Inc. — Releasor)

WHEREAS, the following entities (collectively, the "Debtors") are Debtors in the consolidated bankruptcy cases captioned "*In re Hillsborough Holdings Corporation, et al.*, Bankr. M.D. Fla., Case Nos. 89-9715-8P1 through 89-9746-8P1, and 90-11997-8P1" ("*In re Hillsborough Holdings*"):

Hillsborough Holdings Corporation
Best Insurors, Inc.
Best Insurors of Mississippi, Inc.
Coast to Coast Advertising, Inc.
Computer Holdings Corporation
Dixie Building Supplies, Inc.
Hamer Holdings Corporation
Hamer Properties, Inc.
Homes Holdings Corporation
Jim Walter Computer Services, Inc.
Jim Walter Homes, Inc.
Jim Walter Insurance Services, Inc.
Jim Walter Resources, Inc.
Jim Walter Window Components, Inc.
JW Aluminum Company
JW Resources, Inc.
JW Resources Holdings Corporation
J.W.I. Holdings Corporation
J.W. Walter, Inc.
JW Windows Components, Inc.
Land Holdings Corporation
Mid-State Homes, Inc.
Mid-State Holdings Corporation
Railroad Holdings Corporation
Sloss Industries Corporation
Southern Precision Corporation
United Land Corporation
United States Pipe and Foundry Company
U.S. Pipe Realty, Inc.
Vestal Manufacturing Company
Walter Home Improvement, Inc.
Walter Industries, Inc.
Walter Land Company;

WHEREAS, Lehman Brothers Inc. (the "Releasor") is a substantial creditor of the Debtors and has actively participated in the Debtors' chapter 11 cases, including in respect of plan negotiations and formulation;

WHEREAS, the Debtors and Kohlberg Kravis Roberts & Co., KKR Associates, JWC Associates, L.P., JWC Associates II, L.P. and KKR Partners II, L.P. (collectively with the Debtors listed above, the "Releasees") have actively participated in the Debtors' chapter 11 cases, including in respect of plan negotiations and formulation;

WHEREAS, the Releasor and the Releasees have settled all claims related to the Debtors under the terms of the Amended Joint Plan of Reorganization, dated as of November 22, 1994, filed in *In re Hillsborough Holdings, et al.* (the "Consensual Plan");

WHEREAS, the Releasor is executing this Release pursuant to the terms of the Consensual Plan and for good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged;

NOW, THEREFORE, intending to be legally bound hereby, the Releasor agrees as follows:

1. *Consensual Plan and Defined Terms.* All terms shall have the meanings specified herein or (if not specified herein) in the Consensual Plan.

2. *Effective Date.* This Release shall be effective and binding as of the Effective Date provided for under the terms of the Consensual Plan and covers activities occurring prior to and including the Effective Date.

3. *Release.* The Releasor, being duly authorized, hereby fully and forever irrevocably releases, relieves, quitclaims and discharges each and all of the Releasees and each of their respective subsidiaries and Affiliates and each of their present or former directors, officers, partners, stockholders, employees, agents, representatives, successors and assigns (collectively, the "Related Parties"), from any and all claims, causes of action, remedies and rights of any kind whatsoever, at common law, equity, by statute or otherwise, whether they may be asserted directly or indirectly, whether known or unknown, concealed or hidden, and whether suspected or unsuspected, which the Releasor ever had, currently has or hereafter may have against each and all of the Releasees and their Related Parties which in any way relate to any present or prior relationship with any and all of the Releasees and any and all of their Related Parties with respect to any or all of the Debtors, which otherwise in any way relate to any or all of the Debtors or which in any way relate to any of the matters, facts or transactions alleged by the Releasor as serving as the basis for a claim, cause of action, remedy or right against any or all of the Releasees or any or all of their Related Parties with respect to any or all of the Debtors, *provided, however*, that nothing in this Release shall release or otherwise affect any (a) rights, debts, liabilities, obligations or promises created by or arising under or out of the Consensual Plan; and (b) preexisting rights, debts, obligations, liabilities or promises unrelated to any or all of the Debtors.

4. Waiver Under Section 1542 of the California Civil Code and Similar Provisions.

(a) **THE RELEASOR EXPRESSLY UNDERSTANDS THAT** Section 1542 of the Civil Code of the State of California provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtors."

(b) To the extent that, notwithstanding paragraph 7 hereof, the laws of California or the laws of any other jurisdiction may be applicable, **THE RELEASOR HEREBY AGREES THAT THE PROVISIONS OF SECTION 1542** of the Civil Code of the State of California and all similar federal or state laws, rights, rules or legal principles which may be applicable hereto, to the extent they apply to any of the matters released herein, **ARE HEREBY KNOWINGLY AND VOLUNTARILY WAIVED AND RELINQUISHED BY THE RELEASOR**, in each and every capacity, to the full extent that such rights and benefits pertaining to the matters released herein may be waived, and the Releasor hereby agrees and acknowledges that this waiver is an essential term of this Release, without which the consideration provided to it would not have been given.

(c) In connection with such waiver and relinquishment, the Releasor acknowledges that it is aware that it may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released herein. Nevertheless, it is its intent in executing this Release fully, finally and forever to settle, release and discharge all such matters, and all claims, causes of actions, remedies and rights relative thereto, which the Releasor ever had, currently has or hereafter may have (whether or not previously or currently asserted in any action or proceeding).

5. *Nonassignment of Claims.* The Releasor hereby represents and warrants that every claim, cause of action, remedy and right released herein has not heretofore been assigned, transferred or encumbered. The Releasor agrees to indemnify each and all of the Releasees and each and all of their Related Parties, and hold

each and all of them harmless, from and against any and all claims, causes of action, remedies or rights released hereby based upon or arising in connection with any such prior assignment, transfer or encumbrance.

6. *Litigation Relating to this Release.* In the event it becomes necessary for any person or entity for whose benefit this Release is executed to initiate or respond to any action or proceeding to enforce the terms of this Release, the prevailing party in any such action or proceeding shall be entitled, in addition to any other relief awarded by the court or other tribunal, to costs and expenses, including attorneys' fees, actually incurred in any such action or proceeding by such person or entity.

7. *Governing Law.* This Release and the obligations arising hereunder shall be governed in all respects including all matters of construction, validity and performance by, and construed and enforced in accordance with, the laws of the State of New York without regard to the principles thereof regarding choice of law.

IN WITNESS WHEREOF, this Release has been executed this day of , 1995.

LEHMAN BROTHERS INC.

By: _____
Name:
Title:

RELEASE

(KKR and Debtors — Releasors)

WHEREAS, the following entities (collectively, the "Debtors") are Debtors in the consolidated bankruptcy cases captioned *"In re Hillsborough Holdings Corporation, et al.*, Bankr. M.D. Fla., Case Nos. 89-9715-8P1 through 89-9746-8P1, and 90-11997-8P1" *("In re Hillsborough Holdings"):*

Hillsborough Holdings Corporation
Best Insurors, Inc.
Best Insurors of Mississippi, Inc.
Coast to Coast Advertising, Inc.
Computer Holdings Corporation
Dixie Building Supplies, Inc.
Hamer Holdings Corporation
Hamer Properties, Inc.
Homes Holdings Corporation
Jim Walter Computer Services, Inc.
Jim Walter Homes, Inc.
Jim Walter Insurance Services, Inc.
Jim Walter Resources, Inc.
Jim Walter Window Components, Inc.
JW Aluminum Company
JW Resources, Inc.
JW Resources Holdings Corporation
J.W.I. Holdings Corporation
J.W. Walter, Inc.
JW Windows Components, Inc.
Land Holdings Corporation
Mid-State Homes, Inc.
Mid-State Holdings Corporation
Railroad Holdings Corporation
Sloss Industries Corporation
Southern Precision Corporation
United Land Corporation
United States Pipe and Foundry Company
U.S. Pipe Realty, Inc.
Vestal Manufacturing Company
Walter Home Improvement, Inc.
Walter Industries, Inc.
Walter Land Company;

WHEREAS, the Debtors and Kohlberg Kravis Roberts & Co., KKR Associates, JWC Associates, L.P., JWC Associates II, L.P. and KKR Partners II, L.P. (collectively with the Debtors listed above, the "Releasors") have actively participated in the Debtors' chapter 11 cases, including in respect of plan negotiations and formulation;

WHEREAS, Lehman Brothers Inc. (the "Releasee") is a substantial creditor of the Debtors and has actively participated in the Debtors' chapter 11 cases, including in respect of plan negotiations and formulation;

WHEREAS, the Releasors and the Releasee have settled all claims related to the Debtors under the terms of the Amended Joint Plan of Reorganization, dated as of November 22, 1994, filed in *In re Hillsborough Holdings, et al.* (the "Consensual Plan");

WHEREAS, the Releasors are executing this Release pursuant to the terms of the Consensual Plan and for good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged;

NOW, THEREFORE, intending to be legally bound hereby, the undersigned Releasors agree as follows:

1. *Consensual Plan and Defined Terms.* All terms shall have the meanings specified herein or (if not specified herein) in the Consensual Plan.

2. *Effective Date.* This Release shall be effective and binding as of the Effective Date provided for under the terms of the Consensual Plan and covers activities occurring prior to and including the Effective Date.

3. *Release.* All of the Releasors and each of them, being duly authorized, hereby fully and forever irrevocably release, relieve, quitclaim and discharge the Releasee and its respective subsidiaries and Affiliates and each of their present and former directors, officers, partners, stockholders, employees, agents, representatives, successors and assigns and any accounts managed or controlled by any of them (collectively, the "Related Parties"), from any and all claims, causes of action, remedies and rights of any kind whatsoever, at common law, equity, by statute or otherwise, whether they may be asserted directly or indirectly, whether known or unknown, concealed or hidden, and whether suspected or unsuspected, which each and all of the Releasors or any of them ever had, currently have or hereafter may have against any of the Releasee and any and all of its Related Parties *which in any way relate to any present or prior relationship with any of the Releasee and any and all of its Related Parties with respect to any or all of the Debtors,* which otherwise in any way relate to any or all of the Debtors or which in any way relate to any of the matters, facts or transactions alleged by any and all of the Releasors as serving as the basis for a claim, cause of action, remedy or right against any of the Releasee or any and all of its Related Parties with respect to any or all of the Debtors, *provided, however,* that nothing in this Release shall release or otherwise affect any (a) rights, debts, liabilities, obligations or promises created by or arising under or out of the Consensual Plan; and (b) preexisting rights, debts, obligations, liabilities or promises unrelated to any or all of the Debtors.

4. **Waiver Under Section 1542 of the California Civil Code and Similar Provisions.**

(a) **THE RELEASORS EXPRESSLY UNDERSTAND THAT** Section 1542 of the Civil Code of the State of California provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtors."

(b) To the extent that, notwithstanding paragraph 7 hereof, the laws of California or the laws of any other jurisdiction may be applicable, **THE RELEASORS HEREBY AGREE THAT THE PROVISIONS OF SECTION 1542** of the Civil Code of the State of California and all similar federal or state laws, rights, rules or legal principles which may be applicable hereto, to the extent they apply to any of the matters released herein, **ARE HEREBY KNOWINGLY AND VOLUNTARILY WAIVED AND RELINQUISHED BY THE RELEASORS,** in each and every capacity, to the full extent that such rights and benefits pertaining to the matters released herein may be waived, and the Releasors hereby agree and acknowledge that this waiver is an essential term of this Release, without which the consideration provided to term would not have been given.

(c) In connection with such waiver and relinquishment, all of the Releasors and each of them acknowledge that they are aware that they may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true, with respect to the matters released herein. Nevertheless, it is their intent in executing this Release fully, finally and forever to settle, release and discharge all such matters, and all claims, causes of action, remedies and rights relative thereto, which any and all of the Releasors ever had, currently has or hereafter may have (whether or not previously or currently asserted in any action or proceeding).

5. *Nonassignment of Claims.* The Releasors hereby represent and warrant that every claim, cause of action, remedy and right released herein has not heretofore been assigned, transferred or encumbered. The

Releasors agree to indemnify any of the Releasee and any and all of its Related Parties, and hold each and all of them harmless, from and against any and all claims, causes of action, remedies and rights released hereby based upon or arising in connection with any such prior assignment, transfer or encumbrance.

6. *Litigation Relating to this Release.* In the event it becomes necessary for any person or entity for whose benefit this Release is executed to initiate or respond to any action or proceeding to enforce the terms of this Release, the prevailing party in any such action or proceeding shall be entitled, in addition to any other relief awarded by the court or other tribunal, to costs and expenses, including attorneys' fees, actually incurred in any such action or proceeding by such person or entity.

7. *Governing Law.* This Release and the obligations arising hereunder shall be governed in all respects including all matters of construction, validity and performance by, and construed and enforced in accordance with, the laws of the State of New York without regard to the principles thereof regarding choice of law.

8. *Counterparts.* This Release may be executed in multiple counterparts, each of which shall be deemed to be an original as to the Releasor on whose behalf it is executed.

IN WITNESS WHEREOF, this Release has been executed this day of , 1995.

HILLSBOROUGH HOLDINGS CORPORATION,
BEST INSURORS, INC.,
BEST INSURORS OF MISSISSIPPI, INC.,
COAST TO COAST ADVERTISING, INC.,
COMPUTER HOLDINGS CORPORATION,
DIXIE BUILDING SUPPLIES, INC.,
HAMER HOLDINGS CORPORATION,
HAMER PROPERTIES, INC.,
HOMES HOLDINGS CORPORATION,
JIM WALTER COMPUTER SERVICES, INC.,
JIM WALTER HOMES, INC.
JIM WALTER INSURANCE SERVICES, INC.,
JIM WALTER RESOURCES, INC.,
JIM WALTER WINDOW COMPONENTS, INC.,
JW ALUMINUM COMPANY,
JW RESOURCES, INC.,
JW RESOURCES HOLDINGS CORPORATION,
J.W.I. HOLDINGS CORPORATION
J.W. WALTER, INC.
JW WINDOW COMPONENTS, INC.,
LAND HOLDINGS CORPORATION,
MID-STATE HOMES, INC.,
MID-STATE HOLDINGS CORPORATION,
RAILROAD HOLDINGS CORPORATION,
SLOSS INDUSTRIES CORPORATION,
SOUTHERN PRECISION CORPORATION,
UNITED LAND CORPORATION,
UNITED STATES PIPE AND FOUNDRY COMPANY,
U.S. PIPE REALTY, INC.,

VESTAL MANUFACTURING COMPANY,
WALTER HOME IMPROVEMENT, INC., and
WALTER LAND COMPANY

By: _____

Name: Kenneth J. Matlock
Title: Vice President

KOHLBERG KRAVIS ROBERTS & CO.
KKR ASSOCIATES
JWC ASSOCIATES, L.P.
JWC ASSOCIATES II, L.P.
KKR PARTNERS II, L.P.

By: KKR ASSOCIATES

By: _____

Name:
Title:

[Additional Forms of Release to be filed at a later date]

EXHIBIT 8:

RECORD HOLDERS OF SUBORDINATED NOTE CLAIMS THAT MADE THE SUBORDINATED NOTE CLAIM ELECTION AND AGGREGATE AMOUNT OF CLAIM OF EACH SUCH HOLDER ELECTED TO BE RECEIVED IN THE FORM OF QUALIFIED SECURITIES PURSUANT TO SUBORDINATED NOTE CLAIM ELECTION

EXHIBIT 8

SUBORDINATED NOTE CLAIM ELECTION

CLASS U-4

Record Holders of Subordinated Note Claims	Aggregate Principal Amount of Allowed Subordinated Note Claims Elected To Be Satisfied By Qualified Securities
GOLDMAN SACHS & CO	$ 3,008,000.00
LEWCO SECURITIES CORP	4,925,000.00
BEAR STEARNS SEC CORP	1,700,000.00
BEAR STEARNS SEC CORP	54,454.00
SMITH BARNEY SHEARSON INC	158,790,466.00
SMITH BARNEY SHEARSON INC	3,525,000.00
OPPENHEIMER & CO INC	1,000,000.00
SPEAR LEEDS & KELLOG	2,300,000.00
BOSTON SAFE DEPOSIT & TR CO	271,657.00
MORGAN STANLEY & CO INC	20,810,000.00
ATWELL & CO	60,222,859.00
BOOTH & CO	2,400,000.00
CATAMARAN & CO	630,000.00
TRUST OF GE RETIRE TRUST	18,991,161.00
HUDD & CO	7,550,000.00
MAC & CO	997,790.00
MAC & CO	13,245,580.00
MOMINT	2,104,000.00
SMOG & CO	2,000,000.00
TES & CO	7,000,000.00
UMBWAD & CO	5,275,000.00
HARE & CO	60,222,859.00
TOTAL	$377,023,826.00

CLASS U-5

Record Holders of Subordinated Note Claims	Aggregate Principal Amount of Allowed Subordinated Note Claims Elected To Be Satisfied By Qualified Securities
GOLDMAN SACHS & CO	$ 6,540,000.00
GOLDMAN SACHS & CO	2,000,000.00
MORGAN STANLEY & CO INC	13,734,000.00
KIDDER PEABODY & CO INC	2,050,000.00
NEUBERGER & BERMAN	4,860,000.00
BEAR STEARNS SEC CORP	1,146,000.00
SMITH BARNEY SHEARSON INC	111,948,000.00
SMITH BARNEY SHEARSON INC	1,540,000.00
OPPENHEIMER & CO INC	17,000.00
BROWN ALEX & SONS INC	40,000.00
OCONNOR & ASSOCIATES	2,677,000.00
BANK OF NEW YORK	7,685,000.00
UNITED STATES TRUST CO NY	14,000,000.00
BOSTON SAFE DEPOSIT & TR CO	1,510,000.00
FIRST NATIONAL BANK OF BOSTON	600,000.00
SSB CUSTODIAN	5,000,000.00
SSB CUSTODIAN	5,000,000.00
SSB CUSTODIAN	600,000.00
BANK OF AMERICA NATL TR & SAV	1,250,000.00
BANK OF AMERICA NT & SA FRANKLIN	1,000,000.00
UNITED MISSOURI BANK NA	27,045,000.00
HARRIS TRUST & SAVINGS BANK	1,300,000.00
NATWEST SECURITIES CORP 3	2,745,000.00
BANKERS TRUST COMPANY	3,550,000.00
CRAIG, LINDA E. CUST MILES ERICSON	10,000.00
CRAIG, LINDA E. CUST SAMUEL CALVIN	30,000.00
ML LEE ACQUISITION FUND	12,000,000.00
PITT & CO	500,000.00
PITT & CO	17,200,000.00
HARE & CO	12,500,000.00
TOTAL	$260,077,000.00

CLASS U-6

Record Holders of Subordinated Note Claims	Aggregate Principal Amount of Allowed Subordinated Note Claims Elected To Be Satisfied By Qualified Securities
MORGAN STANLEY & CO INC	$ 28,520,000.00
GOLDMAN SACHS & CO	6,570,000.00
MORGAN STANLEY & CO INC	6,250,000.00
BANKERS TRUST COMPANY	11,200,000.00
CITICORP SECURITIES INC	630,000.00
BT SECURITIES CORP	3,140,000.00
BANK OF AMERICA NT & SA	3,000,000.00
FIRST TRUST NATL ASSOC	500,000.00
SSB CUSTODIAN	600,000.00
BOSTON SAFE DEPOSIT & TR CO	730,000.00
SMITH BARNEY SHEARSON INC	1,325,000.00
FIRST BOSTON CORP	150,000.00
BEAR STEARNS SEC CORP	45,000.00
NEUBERGER & BERMAN	300,000.00
BROWN ALEX & SONS INC	5,000.00
BANKERS TRUST COMPANY	2,925,00.00
MERRILL LYNCH PIERCE FENNER	15,000.00
NORTHERN TRUST CO TRUST	250,000.00
FIRST NATIONAL BANK OF BOSTON	420,000.00
BOSTON SAFE DEPOSIT & TR CO	545,000.00
UNITED STATES TRUST CO NY	1,000,000.00
GOLDMAN SACHS & CO	3,605,000.00
GOLDMAN SACHS & CO	850,000.00
MORGAN STANLEY & CO INC	19,919,000.00
NEUBERGER & BERMAN	1,400,000.00
SCHWAB CHARLES & CO INC	30,000.00
BEAR STEARNS SEC CORP	3,567,000.00
SMITH BARNEY SHEARSON INC	200,000.00
FAHNESTOCK & CO INC	146,000.00
BANKERS TRUST COMPANY	7,600,000.00
UNITED STATES TRUST CO NY	6,187,000.00
BOSTON SAFE DEPOSIT & TR CO	750,000.00
FIRST NATIONAL BANK OF BOSTON	450,000.00
SSB CUSTODIAN	1,240,000.00
MERRILL LYNCH-DEBT SECURITIES	1,000.00
BT SECURITIES CORP	5,000,000.00
MORGAN STANLEY & CO INC	24,248,000.00
SCHWAB CHARLES & CO INC	3,000.00
LAZARD FRERES & CO	20,000.00
BEAR STEARNS SEC CORP	4,275,000.00
SMITH BARNEY SHEARSON INC	400,000.00
FAHNESTOCK & CO INC	418,000.00
OCONNOR & ASSOCIATES	3,000,000.00

Record Holders of Subordinated Note Claims	Aggregate Principal Amount of Allowed Subordinated Note Claims Elected To Be Satisfied By Qualified Securities
CHASE MANHATTAN BANK NA	10,000,000.00
SAGE MARTIN L & GLORIA W. SAGE JT TEN	10,000.00
COLLINS, RUSSELL C.	10,000.00
GREENBERG, VIVIAN P.	30,000.00
MCHATTON, PATRICK E.	10,000.00
PETERSEN CONSULTANTS LTD. DEFINED	25,000.00
HARE & CO	6,188,000.00
TOTAL	$167,702,000.00

EXHIBIT 2

Summary of Treatment and Classes
($000's)

Administrative & Priority Claims Summary

	CLASS A-1	CLASS P-1	CLASS P-2	CLASS P-3
	Administrative Claims	**Federal Income Tax Claims**	**Federal Excise Tax and Reclamation Claims**	**State and Local Tax Claims**
TREATMENT OF ALLOWED CLAIMS UNDER PLAN	Payment of cash in an amount equal to the Allowed Amount of the claim without interest.	Payment of Allowed Amounts in equal quarterly installments over a 6 year period from earlier to occur of (i) date of the Assessment by the IRS of such Claim and (ii) the date on which such Claim becomes an Allowed Claim with interest on unpaid amounts from the later of the Effective Date, the date of Assessment and the date on which the Claim becomes an Allowed Claim equal to the Prime Lending Rate.	Payment of cash in an amount equal to the Allowed Amount of the claim without interest.	Payment of cash in an amount equal to the Allowed Amount of the claim without interest.
ESTIMATE OF ALLOWED AMOUNT AS OF DECEMBER 31, 1994	*$32,000*	*$14,000 - $40,000*	*$756*	*$8,384*

ENTITY:	Class	Exact Amounts
Best		
Best (Miss.)	Class P-3C	1
Coast to Coast		
Computer Holdings	Class P-3E	0
Computer Services	Class P-3J	0
Dixie	Class P-3F	123
Hamer Holdings	Class P-3G	0
Hamer Properties	Class P-3H	1
Hillsborough	Class P-3A	31
Home Improvement		
Homes Holdings	Class P-3I	0
Jim Warrior Railroad		
Jim Walter Homes	Class P-3K	214
Jim Walter Resources, Inc.	Class P-3M	4,099
JW Aluminum	Class P-3O	192
JW Insurance		
JW Resources		
JW Walter	Class P-3R	11
Window Components	Class P-3S	18
Window Components (Wisc.)	Class P-3N	2
JWI Holdings	Class P-3Q	0
Land Holdings	Class P-3T	0
Mid-State Holdings	Class P-3V	0
Mid-State Homes	Class P-3U	7
Old Walter Industries	Class P-3EE	7
Pipe Realty	Class P-3BB	0
Railroad Holdings	Class P-3W	0
Resources Holdings	Class P-3P	0
Sloss	Class P-3X	611
Southern Precision	Class P-3Y	42
U.S. Pipe	Class P-3AA	2,113
United Land	Class P-3Z	846
Vestal	Class P-3CC	64
Walter Industries/Other		
Walter Land	Class P-3FF	0

Summary of Treatment and Classes
($000's)

Secured Claims Summary

	CLASS S-1		CLASS S-2		CLASS S-3	CLASS S-4
	Revolving Credit Bank Claims		Working Capital Bank Claims		Grace Street Note Claims	Sloss IRB Claims
TREATMENT OF ALLOWED CLAIMS UNDER PLAN	Payment of Allowed Amounts in full in cash except for $28,221 to be paid in Common Stock.		Payment of Allowed Amounts in full in cash less any amounts applied by the Debtors to repay any such claim subsequent to the Stub Period and prior to the Effective Date except for $9,279 to be paid in Common Stock.		Payment of Allowed Amounts in full in cash.	Payment of Allowed Amounts in full in cash.
ESTIMATE OF ALLOWED AMOUNT AS OF DECEMBER 31, 1994	*$382,248 (a)*		*$130,622 (b)*		*$5*	*$715*
	Class	Status	Class	Status	Class	Class
ENTITY:						
Best	Class S-1B	Borrower				
Best (Misc.)	Class S-1C	Borrower				
Coast to Coast	Class S-1D	Borrower				
Computer Holdings	Class S-1E	Guarantor	Class S-2E	Guarantor		
Computer Services	Class S-1J	Borrower				
Dixie	Class S-1F	Borrower				
Hamer Holdings	Class S-1G	Guarantor	Class S-2G	Guarantor		
Hamer Properties	Class S-1H	Borrower				
Hillsborough	Class S-1A	Borrower	Class S-2A	Guarantor		
Home Improvement						
Homes Holdings	Class S-1I	Guarantor	Class S-2I	Guarantor		
Jefferson Warrior Railroad						
Jim Walter Homes	Class S-1K	Borrower				
Jim Walter Resources, Inc.	Class S-1M	Borrower	Class S-2M	Borrower		
JW Aluminum Co.	Class S-1O	Borrower	Class S-2O	Guarantor		
JW Insurance	Class S-1L	Borrower				
JW Resources	Class S-1GG	Guarantor				
JW Walter	Class S-1R	Borrower				
JW Window Components, Inc.	Class S-1S	Borrower	Class S-2S	Guarantor		
JW Window Components (Wisc.)	Class S-1N	Borrower				
JWI Holdings	Class S-1Q	Borrower	Class S-2Q	Guarantor		
Land Holdings	Class S-1T	Guarantor	Class S-2T	Guarantor		
Mid-State Holdings	Class S-1V	Guarantor	Class S-2V	Guarantor		
Mid-State Homes, Inc.						
Old Walter Industries	Class S-1EE	Borrower	Class S-2EE	Guarantor	Class S-JEE	
Pipe Realty	Class S-1BB	Borrower	Class S-2BB	Guarantor		
Railroad Holdings	Class S-1W	Guarantor	Class S-2W	Guarantor		
Resources Holdings	Class S-1P	Guarantor	Class S-2P	Guarantor		
Sloss Industries Corp.	Class S-1X	Borrower	Class S-2X	Guarantor		Class S-4X
Southern Precision Corp.	Class S-1Y	Borrower	Class S-2Y	Guarantor		
U.S. Pipe and Foundry Co.	Class S-1AA	Borrower	Class S-2AA	Borrower		
United Land Corp.	Class S-1Z	Borrower				
Vestal Manufacturing Co.	Class S-1CC	Borrower	Class S-2CC	Guarantor		
Walter Industries/Other						
Walter Land	Class S-1FF	Borrower	Class S-2FF	Borrower		

(a) Includes Accrued Interest from 12/28/89 to 12/31/94 totaling $152.6 million.

(b) Includes Accrued Interest from 12/28/89 to 12/31/94 totaling $51.9 million.

Summary of Treatment and Classes
($000's)

Secured Claims Summary

	CLASS S-5 Secured Equipment Purchases		CLASS S-6 Series B & C Senior Note Claims		CLASS S-7 Provident Life & Accident Insurance Company Claims	CLASS S-8 Revolving Credit Agents Claim	CLASS S-9 Working Capital Agents Claim
TREATMENT OF ALLOWED CLAIMS UNDER PLAN	Payment of Allowed Amounts in full in cash.		Payment of Allowed Amounts in cash in an amount equal to such Holder's Pro Rata Share of Class S-6 Fund and a principal amount of New Senior Notes equal to the difference between the Allowed Amount of such Holder's Sereis B & C Note Claim and the amount of cash received except for $37,500 to be paid in Common Stock.		Payment of Allowed Amounts in cash and balance of Allowed Claims reinstated.	Payment of Allowed Amounts in full in cash.	Payment of Allowed Amounts in full in cash.
ESTIMATE OF ALLOWED AMOUNT AS OF DECEMBER 31, 1994	*$48*		*$359,729-$368,474 (a)*		*$7,494*	*(b)*	*(b)*
ENTITY:	Class	Exact Amounts	Class	Status	Class	Class	Class
Best						Class S-8B	Class S-8B
Best (Miss.)						Class S-8C	
Coast to Coast						Class S-8D	
Computer Holdings						Class S-8E	Class S-9E
Computer Services	Class S-5J	29				Class S-8J	
Dixie						Class S-8F	
Hamer Holdings						Class S-8G	Class S-9G
Hamer Properties						Class S-8H	
Hillsborough			Class S-6A	Guarantor		Class S-8A	Class S-9A
Home Improvement							
Homes Holdings			Class S-6I	Guarantor		Class S-8I	Class S-9I
Jefferson Warrior Railroad							
Jim Walter Homes			Class S-6K	Issuer		Class S-6K	
Jim Walter Resources, Inc.			Class S-6M	Issuer		Class S-8M	Class S-9M
JW Aluminum Co.	Class S-5O	11				Class S-8O	Class S-9O
JW Insurance						Class S-8L	
JW Resources						Class S-6GG	
JW Walter						Class S-8R	
JW Window Components, Inc.	Class S-5S	0				Class S-8S	
JW Window Components (Wisc.)						Class S-8N	
JWI Holdings						Class S-8Q	Class S-9Q
Land Holdings						Class S-8T	Class S-9T
Mid-State Holdings						Class S-8V	Class S-9V
Mid-State Homes, Inc.							
Old Walter Industries			Class S-6EE	Guarantor	Class S-7EE	Class S-8EE	Class S-9EE
Pipe Realty						Class S-6BB	Class S-9BB
Railroad Holdings						Class S-8W	Class S-9W
Resources Holdings			Class S-6P	Guarantor		Class S-8P	Class S-9P
Sloss Industries Corp.	Class S-5X	1				Class S-8X	Class S-9X
Southern Precision Corp.	Class S-5Y	3				Class S-8Y	Class S-9Y
U.S. Pipe and Foundry Co.	Class S-5AA	5	Class S-6AA	Issuer		Class S-8AA	Class S-9AA
United Land Corp.			Class S-6Z	Issuer		Class S-8Z	Class S-9Z
Vestal Manufacturing Co.						Class S-8CC	Class S-9CC
Walter Industries/Other							
Walter Land						Class S-8FF	Class S-9FF

(a) Includes Accrued Interest from 12/28/89 to 12/31/94 totaling $165.4 million-$174.1 million.

(b) The Holders of Class S-8 and S-9 Claims have not provided the amount of fees and expenses incurred since the Filing Date. As a result, there is insufficient information upon which to estimate Class S-8 and S-9 Claims.

Summary of Treatment and Classes
($000's)

Unsecured Claims Summary	CLASS U-1	CLASS U-2		CLASS U-3	
	Old Walter Industries IRB Claims	Convenience Class Claims		Other Unsecured Claims	
TREATMENT OF ALLOWED CLAIMS UNDER PLAN	Payment of Allowed Amounts in cash and balance of Allowed Claims reinstated.	Payment of Pre-Filing Date Unsecured Allowed Amounts plus Post-Filing Date interest from the Filing Date to the Effective Date at the General Unsecured Interest Rate in full in cash.		Payment of 75% of Pre-Filing Date Unsecured Allowed Amounts on or promptly after the Effective Date, payment within six months thereafter of the balance of the Pre-Filing Date Unsecured Allowed Amounts plus Post-Filing Date interest on the Pre-Filing Date Unsecured Allowed Amounts from the Filing Date to the Effective Date at the General Unsecured Interest Rate together with Post-Filing Date interest on the remaining 25% of Pre-Filing Date Unsecured Allowed Amounts from the Effective Date to the Payment Date at the General Unsecured Interest rate in full in cash.	
ESTIMATE OF ALLOWED AMOUNT AS OF DECEMBER 31, 1994	*$8,792*	*$1,704*		*$93,775(a)*	
ENTITY:	Class	Class	Exact Amounts	Class	Exact Amounts
Best		Class U-2B	6	Class U-3B	15
Best (Miss.)				Class U-3C	0
Coast to Coast		Class U-2D	159	Class U-3D	281
Computer Holdings				Class U-3E	0
Computer Services		Class U-2J	4	Class U-3J	34
Dixie		Class U-2F	7	Class U-3F	913
Hamer Holdings				Class U-3G	0
Hamer Proportion				Class U-3H	0
Hillsborough				Class U-3A	2,550
Home Improvement		Class U-2DD	9	Class U-2DD	32
Homes Holdings				Class U-3I	0
Jefferson Warrior Railroad					0
Jim Walter Homes		Class U-2K	250	Class U-3K	7,223
Jim Walter Resources, Inc.		Class U-2M	87	Class U-3M	19,061
JW Aluminum Co.		Class U-2O	72	Class U-3O	6,413
JW Insurance		Class U-2L	5	Class U-3L	6
JW Resources				Class U-3GG	0
JW Walter				Class U-3R	0
JW Window Components, Inc.		Class U-2S	64	Class U-3S	2,221
JW Window Components (Wisc.)		Class U-2N	8	Class U-3N	123
JWI Holdings				Class U-3Q	0
Land Holdings				Class U-3T	0
Mid-State Holdings				Class U-3V	0
Mid-State Homes, Inc.		Class U-2U	21	Class U-3U	121
Old Walter Industries	Class U-1EE	Class U-2EE	439	Class U-3EE	14,385
Pipe Realty				Class U-3BB	0
Railroad Holdings				Class U3W	0
Resources Holdings				Class U-3P	0
Sloss Industries Corp.		Class U-2X	103	Class U-3X	5,614
Southern Precision Corp.		Class U-2Y	27	Class U-3Y	381
U.S. Pipe and Foundry Co.		Class U-2AA	370	Class U-3AA	30,783
United Land Corp.		Class U-2Z	4	Class U-3Z	1
Vestal Manufacturing Co.		Class U-2CC	35	Class U-3CC	754
Walter Industries/Other					0
Walter Land		Class U-2FF	2	Class U-3FF	32

(a) Includes Accrued Interest from 12/28/89 to 12/31/94 totaling $23.0 million which has been allocated pro rata across each Entity in Class U-3.

Summary of Treatment and Classes
($000's)

Unsecured Claims and Old Common Stock Interests Summary	CLASS U-4		CLASS U-5		CLASS U-6		CLASS U-7	CLASS E-1
	Senior Subordinated Reset Notes		17% Subordinated Notes		Pro IBO Debenture Claims		Veil Piercing Claims	Old Common Stock Interests
TREATMENT OF ALLOWED CLAIMS UNDER PLAN	Payments of Allowed Amount in Full in combination of Qualified Securities and Common Stock		Payments of Allowed Amount in Full in combination of Qualified Securities and Common Stock		Payments of Allowed Amount in Full in combination of Qualified Securities and Common Stock		Payment of Allowed Amounts in full in a combination of Qualified Securities and Common Stock to the Veil Piercing Claims Trust on behalf of Holders of Class U-7 Claims	Payment of Common Stock
ESTIMATE OF ALLOWED AMOUNT AS OF DECEMBER 31, 1994	*$479,261*		*$379,254*		*$239,472*		*$375,000(a)*	*$150,000(b)*
ENTITY	Class	Status	Class	Status	Class	Status		
Best								
Best (Miss)								
Coast to Coast								
Computer Holdings								
Computer Services								
Dixie								
Hamer Holdings								
Hamer Properties								
Hillsborough	Class U-4A	Guarantor	Class U-5A	Guarantor				
Home Improvement								
Homes Holdings	Class U-4I	Guarantor	Class U-5I	Guarantor				
Jefferson Warrior Railroad								
Jim Walter Homes	Class U-4K	Issuer	Class U-5K	Issuer				
Jim Walter Resources, Inc.								
JW Aluminum Co.								
JW Insurance								
JW Resources								
JW Walter								
JW Window Components, Inc.								
JW Window Components (Wisc.)								
JWI Holdings								
Land Holdings								
Mid-State Holdings								
Mid-State Homes, Inc.								
Old Walter Industries	Class U-4EE	Guarantor	Class U-5EE	Guarantor	Class U-6EE	Issuer		
Pipe Realty								
Railroad Holdings								
Resources Holdings								
Sloss Industries Corp.								
Southern Precision Corp.								
U.S. Pipe and Foundry Co.	Class U-4AA	Issuer	Class U-5AA	Issuer				
United Land Corp.	Class U-4Z	Issuer	Class U-5Z	Issuer				
Vestal Manufacturing Co.								
Walter Industries/Other								
Walter Land								

(a) This represents the aggregate of Allowed Amounts against all Debtors.

(b) Old Common Stock Interests may receive up to an additional $100,000 according to the terms set forth in Section II A.3 of the Supplement.

Summary of Treatment and Classes
($000's)

Secured Intercompany Claims Summary	CLASS I-1	CLASS I-2		CLASS I-3	
	Intercompany IRB Claims	**Pre-Filing Intercompany Notes Payable Claims**		**Post Filing Date Intercompany Notes Payable Claims**	
TREATMENT OF ALLOWED CLAIMS UNDER PLAN	Payment of cash in an amount equal to the Allowed Amount of the claim without interest.	Class I-2 Claims will be reinstated on the books and records of the respective Debtors. Pre-Filing Date Intercompany Notes Payable may be paid after the Effective Date in the ordinary course of business.		Class I-3 Claims will be reinstated on the books and records of the respective Debtors. Pre-Filing Date Intercompany Notes Payable may be paid after the Effective Date in the ordinary course of business.	
ESTIMATE OF ALLOWED AMOUNT AS OF DECEMBER 31, 1994	*$7,350*	*$1,248,631*		*$2,006,003*	
ENTITY:		**Class**	**Exact Amounts**	**Class**	**Exact Amounts**
Best		Class I-2B	1,018	Class I-3B	2,389
Best (Miss.)		Class I-2C	64	Class I-3C	24
Coast to Coast		Class I-2D	135	Class I-3D	72
Computer Holdings		Class I-2E	6	Class I-3E	2
Computer Services		Class I-2J	1,164		
Dixie		Class I-2F	232	Class I-3F	220
Hamer Holdings		Class I-2G	6	Class I-3G	2
Hamer Proportion		Class I-2H	204	Class I-3H	5
Hillsborough		Class I-2A	100,653	Class I-3A	130,988
Home Improvement		Class I-2DD	1,923	Class I-3DD	2,852
Homes Holdings		Class I-2I	6		
Jefferson Warrior Railroad					
Jim Walter Homes		Class I-2K	194,401	Class I-3K	191,971
Jim Walter Resources, Inc.		Class I-2M	127,199	Class I-3M	7,838
JW Aluminum Co.		Class I-2O	24,464	Class I-3O	7,066
JW Insurance					
JW Resources					
JW Walter		Class I-2R	198		
Window Components		Class I-2S	49,712	Class I-3S	14,400
Window Components (Wisc.)		Class I-2N	1,165	Class I-3N	1,734
JWI Holdings		Class I-2Q	677		
Land Holdings		Class I-2T	6	Class I-3T	2
Mid-State Holdings		Class I-2V	6		
Mid-State Homes		Class I-2U	106,061	Class I-3U	744,944
Old Walter Industries		Class I-2EE	466,913	Class I-3EE	481,734
Pipe Realty		Class I-2BB	126	Class I-3BB	24
Railroad Holdings		Class I-2W	6	Class I-3W	1
Resources Holdings		Class I-2P	23	Class I-3P	1
Sloss		Class I-2X	27,768	Class I-3X	8,399
Southern Precision		Class I-2Y	21,895	Class I-3Y	12,760
U.S. Pipe		Class I-2AA	35,357	Class I-3AA	175,968
United Land		Class I-2Z	63,636	Class I-3Z	17,424
Vestal		Class I-2CC	12,053	Class I-3CC	3,385
Walter Industries/Other					
Walter Land		Class I-2FF	11,555	Class I-3FF	1,799

EXHIBIT 3.A.1.

WALTER INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 1994

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
Walter Industries, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations and retained earnings (deficit) and of cash flows present fairly, in all material respects, the financial position of Walter Industries, Inc. and its subsidiaries at May 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1994 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 2 and 10 to the financial statements, on December 27, 1989, Walter Industries, Inc. and substantially all of its subsidiaries each filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code, thereby raising substantial doubt about their ability to continue as a going concern. The Company filed a fourth amended joint plan of reorganization and a related disclosure statement with the Bankruptcy Court on June 22, 1994 and June 29, 1994, respectively. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the petitions for reorganization.

As discussed in Note 11 to the Consolidated Financial Statements, the Company changed its method of accounting for postretirement benefits other than pensions in fiscal year 1993.

PRICE WATERHOUSE
Tampa, Florida
July 8, 1994

WALTER INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	May 31, 1994	May 31, 1993
	(in thousands)	
ASSETS		
Cash (includes short-term investments of $177,040,000 and $172,553,000) (Note 5)	$ 203,303	$ 190,370
Short-term investments, restricted (Note 3)	107,552	105,620
Instalment notes receivable (Notes 3, 5 and 6)	4,176,040	4,187,316
Less — Provision for possible losses	(26,301)	(26,579)
Unearned time charges	(2,790,560)	(2,773,878)
Net	1,359,179	1,386,859
Trade receivables	135,431	143,259
Less — Provision for possible losses	(7,392)	(7,324)
Net	128,039	135,935
Other notes and accounts receivable	10,774	15,625
Inventories, at lower of cost (first in, first out or average) or market:		
Finished goods	95,270	94,360
Goods in process	27,090	23,421
Raw materials and supplies	48,533	47,153
Houses held for resale	1,686	1,705
Total inventories	172,579	166,639
Prepaid expenses	11,335	7,902
Property, plant and equipment, at cost (Note 4)	1,123,939	1,075,068
Less — Accumulated depreciation, depletion and amortization	(466,076)	(412,028)
Net	657,863	663,040
Investments	5,753	5,568
Unamortized debt expense	31,656	46,622
Other assets	39,936	37,616
Excess of purchase price over net assets acquired (Note 1)	412,923	461,438
	$ 3,140,892	$ 3,223,234
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Bank overdrafts (Note 5)	$ 29,879	$ 17,921
Accounts payable (Note 2)	59,468	52,696
Accrued expenses (Note 2)	122,665	116,238
Income taxes payable (Notes 2 and 6)	21,543	19,135
Deferred income taxes (Note 6)	73,152	85,833
Long-term senior debt (Notes 2 and 5)	871,970	1,046,971
Accrued postpetition interest on secured obligations (Notes 2 and 5)	258,032	210,199
Accumulated postretirement health benefits obligation (Note 11)	209,962	189,905
Other long-term liabilities	48,890	46,442
Liabilities subject to Chapter 11 proceedings (Notes 2, 3 and 5)	1,727,684	1,725,631
Stockholders' equity (deficit) (Notes 1, 5, 7 and 8):		
Common stock, $.01 par value per share:		
Authorized — 50,000,000 shares		
Issued — 31,120,773 shares	311	311
Capital in excess of par value	155,293	155,293
Retained earnings (deficit), per accompanying statement	(434,520)	(441,695)
Excess of additional pension liability over unrecognized prior years service cost	(3,437)	(1,646)
Total stockholders' equity (deficit)	(282,353)	(287,737)
	$ 3,140,892	$ 3,223,234

WALTER INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

	For the Years Ended May 31,		
	1994	1993	1992
		(In thousands)	
Sales and revenues:			
Net sales	$1,068,387	$1,072,615	$1,139,048
Time charges (Note 3)	238,097	218,696	195,001
Miscellaneous	17,383	23,160	28,172
Interest income from Chapter 11 proceedings (Note 2)	4,657	4,515	4,360
	1,328,524	1,318,986	1,366,581
Cost and expenses:			
Cost of sales	845,061	804,411	891,882
Depreciation, depletion and amortization (Note 4)	71,035	70,483	82,801
Selling, general and administrative	127,901	124,616	129,372
Postretirement health benefits (Note 11)	25,585	23,474	—
Provision for possible losses	4,611	4,236	5,787
Chapter 11 costs (Note 2)	14,254	9,802	5,172
Interest and amortization of debt discount and expense (Interest on unsecured debt obligations not accrued since December 27, 1989 — $163,685,000 in each year) (Notes 2, 4 and 5)	155,470	171,581	177,060
Amortization of excess of purchase price over net assets acquired (Note 1)	48,515	39,461	39,702
	1,292,432	1,248,064	1,331,776
	36,092	70,922	34,805
Provision for income taxes (Note 6):			
Current	(41,598)	(48,141)	(35,957)
Deferred	12,681	23,813	23,494
Income from operations before cumulative effect of accounting change	7,175	46,594	22,342
Cumulative effect of change in accounting principle — postretirement benefits other than pensions (net of income tax benefit of $61,823,000) (Note 11)	—	(104,608)	—
Net income (loss)	7,175	(58,014)	22,342
Retained earnings (deficit) at beginning of year	(441,695)	(383,681)	(406,023)
Retained earnings (deficit) at end of year	$ (434,520)	$ (441,695)	$ (383,681)

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended May 31,		
	1994	1993	1992
		(in thousands)	
OPERATIONS			
Net income (loss)	$ 7,175	$ (58,014)	$ 22,342
Charges to income not affecting cash:			
Depreciation, depletion and amortization	71,035	70,483	82,801
Provision for deferred income taxes	(12,681)	(23,813)	(23,494)
Accumulated postretirement health benefits obligation (Note 11)	20,057	189,905	—
Adjustment to deferred taxes for accounting change (Note 11)	—	(61,823)	—
Provision for other long-term liabilities	280	(781)	6,782
Amortization of excess of purchase price over net assets acquired (Note 1)	48,515	39,461	39,702
Amortization of debt discount and expense	17,597	22,148	19,715
	151,978	177,566	147,848
Decrease (increase) in:			
Short-term investments, restricted	(1,932)	1,334	4,374
Instalment notes receivable, net(a)	27,680	(23,607)	(47,835)
Trade and other receivables, net	12,747	1,429	(457)
Inventories	(5,940)	627	12,118
Prepaid expenses	(3,433)	236	1,404
Increase (decrease) in:			
Bank overdrafts (Note 5)	11,958	(9,758)	7,906
Accounts payable	6,772	(1,692)	425
Accrued expenses	6,427	(1,682)	15,663
Income taxes payable	2,408	9,111	(18,036)
Accrued postpetition interest on secured obligations	47,833	32,605	47,868
Liabilities subject to Chapter 11 proceedings (Note 2):			
Accounts payable	1,438	811	714
Accrued expense	(152)	4	(136)
Income taxes payable	—	—	1,429
Other long-term liabilities	—	—	(244)
Cash flows from operations	257,784	186,984	173,041
FINANCING ACTIVITIES			
Issuance of long-term senior debt	2,000	256,128	—
Addition to unamortized debt expense	—	(4,794)	—
Retirement of long-term senior debt (Note 5)	(178,865)	(161,959)	(127,258)
Decrease in liabilities subject to Chapter 11 proceedings (Notes 2 and 5):			
Short-term notes payable	—	—	(2,805)
Long-term senior debt	—	(121,217)	(37,958)
Cash flows from financing activities	(176,865)	(31,842)	(168,021)
INVESTING ACTIVITIES			
Additions to property, plant and equipment, net of normal retirements	(65,858)	(68,901)	(63,646)
Decrease (increase) in investments	(185)	(128)	1,137
(Increase) in other assets	(1,943)	(1,617)	(5,485)
Cash flows from investing activities	(67,986)	(70,646)	(67,994)
Net increase (decrease) in cash and cash equivalents	12,933	84,496	(62,974)
Cash and cash equivalents at beginning of year	190,370	105,874	168,848
Cash and cash equivalents at end of year (Note 5)	$ 203,303	$ 190,370	$ 105,874

(a) Consists of sales and resales, net of repossessions and provision for possible losses, of $197,472,000, $207,340,000, and $207,648,000 and cash collections on account and payouts in advance of maturity of $225,152,000, $183,733,000, and $159,813,000 for the years ended May 31, 1994, 1993 and 1992, respectively.

NOTE 1 — Organization and Acquisition

Walter Industries, Inc. (formerly Hillsborough Holdings Corporation) (the "Company") was organized in August 1987 by a group of investors led by Kohlberg Kravis Roberts & Co. ("KKR") for the purpose of acquiring Jim Walter Corporation, a Florida corporation ("Original Jim Walter"). Following its organization, the Company organized and acquired all of the outstanding capital stock of a group of direct wholly-owned subsidiaries (the "First Tier Subsidiaries"). The First Tier Subsidiaries (except JWC Holdings Corporation) and the Company organized and acquired all of the outstanding capital stock of Walter Industries, Inc. ("Old Walter Industries"). JWC Holdings Corporation, a Florida corporation and a First Tier Subsidiary ("JWC Holdings"), organized and acquired all of the outstanding shares of J-II Acquisition Corporation, a Florida corporation ("J-II"). Old Walter Industries and J-II, in turn, organized and acquired all of the outstanding capital stock of Hillsborough Acquisition Corporation ("HAC").

On September 18, 1987, HAC acquired approximately 95% of the outstanding common stock of Original Jim Walter at a price of $60 per share in cash, pursuant to an Agreement and Plan of Merger dated as of August 12, 1987 (the "Acquisition"). On January 7, 1988, the Company caused Original Jim Walter to be merged (the "Merger") into HAC (which changed its name to "Jim Walter Corporation") and the remaining 5% of its common stock was converted into the right to receive $60 in cash for each share. On that same date: (i) HAC distributed substantially all of its assets (principally excluding the stock of certain subsidiaries of Original Jim Walter engaged in building materials businesses) to Old Walter Industries in redemption of all of its shares of capital stock owned by Old Walter Industries; (ii) HAC merged into J-II; and (iii) J-II changed its name to "Jim Walter Corporation". On April 1, 1991, Old Walter Industries merged into Hillsborough Holdings Corporation thereby completing its previously adopted plan of liquidation. The Company changed its name to Walter Industries, Inc. in connection with such merger. Prior to September 18, 1987, the Company had no significant assets or liabilities and did not engage in any activities other than those related to the Acquisition. The purchase price of the shares of Original Jim Walter was approximately $2,425,000,000, plus expenses of the Acquisition and assumption of certain outstanding indebtedness. For financial statement purposes, the Acquisition has been accounted for as a purchase as of September 1, 1987 and, accordingly, the purchase price has been allocated based upon the fair value of assets acquired and liabilities assumed. The excess of purchase price over net assets acquired in connection with the Acquisition is being amortized over periods ranging up to twenty years.

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant intercompany balances have been eliminated.

NOTE 2 — Reorganization Proceedings

On December 27, 1989, the Company and 31 of its subsidiaries (including the subsidiary in the next sentence, the "Debtors") each filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court (the "Bankruptcy Court") for the Middle District of Florida, Tampa Division (the "Reorganization Proceedings"). On December 3, 1990, one additional small subsidiary filed a voluntary petition for reorganization under the Bankruptcy Code. Two other small subsidiaries did not file petitions for reorganization.

The Debtors' Chapter 11 cases resulted from a sequence of events stemming primarily from an inability of the Company's interest reset advisors to reset interest rates on approximately $624 million of outstanding Senior Extendible Reset Notes and Senior Subordinated Extendible Reset Notes on which interest rates were scheduled to be reset effective January 2, 1990. The inability to reset the interest rates was primarily attributable to pending asbestos-related litigation which prevented the Debtors from completing a refinancing or from selling assets to reduce their debt which, together with turmoil in the high yield bond markets, depressed the bid value of such notes.

The consolidated financial statements of the Company have been prepared on a "going-concern" basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business; however, as a result of the Chapter 11 filings, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties. These financial statements include adjustments and reclassifications that have been made to reflect the liabilities which have been deferred under the Reorganization Proceedings. Interest in the amount of $724,306,000 ($163,685,000 in the current fiscal year) on unsecured debt obligations has not been accrued in the consolidated financial statements since the date of the filing of petitions for reorganization. This estimate is based on the balances of the unsecured debt obligations and their interest rates as of the petition date. Such interest rates do not necessarily presently govern the respective rights of the Company, its subsidiaries and the various lenders. Instead, the rights of the parties will be determined in connection with the Reorganization Proceedings.

The discussion below sets forth various aspects of the Reorganization Proceedings, but is not intended to be an exhaustive summary. For additional information regarding the effect on the Debtors of the Reorganization Proceedings, reference should be made to the Bankruptcy Code, the rules and regulations promulgated pursuant to the Bankruptcy Code and the case law thereunder. Each creditor should consult with its own counsel regarding the impact of the Reorganization Proceedings on such creditor's claims.

Pursuant to provisions of the Bankruptcy Code and an order of the Bankruptcy Court dated December 28, 1989, the Debtors were authorized to continue to operate their businesses and own and manage their properties and assets as debtors in possession. The Bankruptcy Code authorizes the Debtors to enter into transactions, including the sale or lease of property of their estates and to use property of their estates, in the ordinary course of their businesses without prior approval of the Bankruptcy Court. The sale or lease of property of the estates other than in the ordinary course of business and certain other transactions (for example, secured financing), whether or not in the ordinary course of business, are subject to prior approval by the Bankruptcy Court.

As a result of the filing of petitions for reorganization, the maturity of all unpaid principal of, and interest on, the senior and subordinated indebtedness of the Debtors became immediately due and payable in accordance with the terms of the instruments governing such indebtedness. The Debtors will not be able to borrow additional funds under any of their prepetition credit arrangements. Pursuant to the applicable provisions of the Bankruptcy Code, all pending legal proceedings against the Debtors were automatically stayed upon the filing of such petitions.

Under the Chapter 11 filings, a significant portion of claims in existence at the filing date ("prepetition") are stayed ("deferred") while the Company continues to manage the business. The Bankruptcy Code defines "claim" to include a right to payment whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured. Claims which were contingent or unliquidated at the commencement of the Reorganization Proceedings constitute claims under the Bankruptcy Code. Such claims, including, without limitation, those that may arise in connection with rejection of executory contracts, including leases, as well as those that might arise in connection with environmental and pension-related matters, could be significant. It is not possible to quantify the amount of such claims at this time. Under the Bankruptcy Code, a creditor's claim is treated as secured only to the extent of the value of such creditor's collateral, and the balance of such creditor's claim is treated as unsecured. Depending upon the outcome of the Reorganization Proceedings and the value of a secured creditor's collateral, if any, secured creditors may not be entitled to claim interest on their claims for the period after December 27, 1989. Generally, unsecured debt does not accrue interest after the filing.

Only holders of "allowed claims" may vote on and participate in distributions under any plan or plans of reorganization that may be proposed. A claim is allowed to the extent (i) the claim is not listed as contingent, disputed or unliquidated on the Debtors bankruptcy schedules filed in January 1990, as amended, or (ii) a proof of claim is filed and not successfully objected to by a party in interest.

Additional prepetition claims and liabilities may arise, some of which may be significant, subsequent to the filing date for various reasons. To the extent a creditor must file a proof of claim, such proof must be filed by a date fixed by the Bankruptcy Court as the last day to file proofs of claim (the "Bar Date"). At a hearing on July 23, 1992, the Bankruptcy Court set a Bar Date of October 30, 1992 in the Reorganization Proceedings for all claims other than any potential claims related to asbestos personal injury or property damage. At a hearing on December 16, 1992, the Bankruptcy Court set a second Bar Date of March 1, 1993 in the Reorganization Proceedings for new creditors added by amended schedules filed by certain of the Debtors on November 23, 1992. On August 31, 1993, the Bankruptcy Court set a third Bar Date of November 30, 1993 for creditors added by amended schedules filed by the Debtors on July 12, 1993. No provision has been included in the accompanying financial statements for any prepetition claims and additional liabilities that may arise from resolution of any claims filed.

The amount included as liabilities subject to Chapter 11 proceedings reflected on the Company's consolidated balance sheet consists of the following:

	May 31,	
	1994	1993
	(in thousands)	
Short-term notes payable	$ 78,033	$ 78,033
Accounts payable	64,338	62,900
Accrued expenses	95,847	95,999
Income taxes payable	47,066	47,066
Long-term senior debt (Notes 3 and 5)	416,629	416,629
Long-term subordinated debt (Note 5)	1,025,533	1,024,766
Other long-term liabilities	238	238
	$1,727,684	$1,725,631

As debtors in possession, the Debtors have the right, subject to Bankruptcy Court approval and certain other limitations, to assume or reject certain executory contracts, including unexpired leases. In this context, "assumption" means that the Debtors agree to perform their obligations and cure certain existing defaults under the contract or lease, and "rejection" means that the Debtors are relieved from their obligations to perform further under the contract or lease and are subject only to a claim for damages for the breach thereof. Any claim for damages resulting from the rejection of an executory contract or an unexpired lease is treated as a general unsecured claim in the Reorganization Proceedings.

Unless the Bankruptcy Court, upon request of a non-Debtor party and after notice and a hearing, fixes a date by when the Debtors must elect to assume or reject an executory contract, the Debtors may assume or reject such contracts in a plan or plans of reorganization. With respect to unexpired non-residential real property leases, including mineral leases and interests, the Bankruptcy Code provides that a Debtor has 60 days after the commencement of a Chapter 11 case in which to assume or reject such leases unless the Bankruptcy Court, for cause shown, extends such 60 day period. Pursuant to an order of the Bankruptcy Court dated August 31, 1993, the time within which the Debtors must assume or reject their non-residential real property leases was extended through and including October 31, 1993. The Debtors filed a motion to extend, until confirmation of a plan of reorganization, the time for assumption or rejection of their non-residential real property leases. On March 4, 1994, the Bankruptcy Court entered an order approving the Debtors motion. On February 25, 1991, the Debtors received Bankruptcy Court approval to assume substantially all of their mineral leases and interests.

The Bankruptcy Code permits the Bankruptcy Court to appoint a trustee on request of a party in interest (including a creditor, equity security holder, committee or indenture trustee) or the United States Trustee. In order for a trustee to be appointed, a requesting party, after notice and a hearing, must show cause, such as

gross mismanagement by current management, or demonstrate that such appointment is in the best interest of creditors, equity security holders and other interests of the estates.

In addition, the Bankruptcy Code permits the Bankruptcy Court to appoint an examiner on request of a party in interest (including a creditor, equity security holder, committee or indenture trustee) or the United States Trustee, if the Bankruptcy Court does not order the appointment of a trustee, to conduct such investigation of a debtor as is appropriate.

For 120 days after the date of the filing of a voluntary Chapter 11 petition, a debtor has the exclusive right to file a plan of reorganization with the Bankruptcy Court (the "Exclusivity Period"). If a debtor files a plan of reorganization during the 120-day Exclusivity Period, no other party may file a plan of reorganization until 180 days after the date of filing of the Chapter 11 petition. Until the end of this 180-day period (the "Acceptance Period") the debtor has the exclusive right to solicit acceptances of the plan. The Bankruptcy Court may shorten or extend the 120- and 180-day periods for cause shown. If a debtor fails to file a plan during the Exclusivity Period or, if such plan has been filed, fails to obtain acceptance of such plan from impaired classes of its creditors and equity security holders during the Acceptance Period, any party in interest, including a creditor, an equity security holder, a committee of creditors or equity security holders or an indenture trustee may file a plan. Additionally, if the Bankruptcy Court were to appoint a trustee, the Exclusivity Period, if not previously terminated, would terminate.

The initial Exclusivity Period for each of the Debtors would have expired on April 26, 1990 and the initial Acceptance Period would have expired on June 26, 1990. The Debtors filed various motions to extend the Exclusivity Period which were granted. Pursuant to an order of the Bankruptcy Court dated April 15, 1992, the Exclusivity Period expired June 15, 1992 and the Acceptance Period was to expire on August 14, 1992.

On June 15, 1992, the Debtors filed with the Bankruptcy Court and presented to the creditor constituencies a joint plan of reorganization and related disclosure statement prior to the expiration of the Exclusivity Period. Subsequent to August 1992, the Debtors were granted various extensions of the Acceptance Period and adjournments of the hearing for approval of the disclosure statement dated June 15, 1992, while negotiations continued with the various creditor constituencies toward a consensual plan of reorganization. Pursuant to an order of the Bankruptcy Court dated July 7, 1993, the Bankruptcy Court extended the Acceptance Period until August 2, 1993, ruling that no further extensions would be granted beyond August 2, 1993. On July 14, 1993, the Bankruptcy Court entered an order fixing January 1, 1994 as the last date when a plan of reorganization and disclosure statement could be filed by a party in interest and that all plans of reorganization and disclosure statements filed by such date would be heard on a date and time to be fixed by future order of the Bankruptcy Court.

On September 22, 1993, the Debtors filed with the Bankruptcy Court and presented to the creditor constituencies their first amended joint plan of reorganization (the "Debtors First Amended Plan") and first amended related disclosure statement. The Debtors First Amended Plan provided for payment in full of all allowed claims (plus post-petition interest at varying rates) using cash, issuance of new indebtedness, issuance of common stock equal to approximately a 46% ownership interest (subject to Debtors option to substitute additional debt securities in lieu of common stock proposed to be issued under the Debtors First Amended Plan), or a combination thereof. In addition, the Debtors First Amended Plan provided that holders of subordinated debt claims would additionally share in a portion of any increase in the Debtors unencumbered instalment notes receivable portfolio after May 31, 1993 through issuance of additional debt securities ("Value Sharing").

Such Value Sharing was designed to provide compensation to holders of subordinated debt claims during the delay in consummation of the Debtors First Amended Plan required in order to resolve the asbestos-related litigation. Under the Debtors First Amended Plan certain claims and the equity interest in the Company were impaired; therefore the Debtors First Amended Plan was subject to acceptance by vote of the

holders of each such class of impaired claims and the holders of the Company's common stock. Confirmation and consummation of the Debtors First Amended Plan were subject to the satisfaction of various conditions including dismissal with prejudice of any and all claims and actions against the Debtors or any assets of the Debtors relating to or in connection with the asbestos-related litigation (see Note 10).

On December 16, 1993, AIF II, L.P., certain affiliates of AIF II, L.P. and certain accounts managed or controlled by such affiliates; Lehman Brothers Inc.; the Official Bondholders Committee and the Official Committee of General Unsecured Creditors (collectively, the "Bondholders Plan Proponents") filed a Joint Plan of Reorganization of Debtors Proposed by Certain Creditor Proponents dated as of December 16, 1993 (the "Bondholders Plan"). The Bondholders Plan was predicated upon a settlement of the Veil Piercing Litigation which contemplated a distribution of debt and equity securities having a value equal to $525 million, subject to reduction in the event the shareholders of the Company supported the Bondholders Plan and executed the Veil Piercing Settlement Agreement (as said term was defined in the Bondholders Plan) by a date certain, to the Veil Piercing Claims Trust (as said term was defined in the Bondholders Plan). The Bondholders Plan was premised upon a negotiated estimate of the going concern enterprise value of the Debtors on a consolidated basis in an amount equal to $2.525 billion. The Bondholders Plan provided for payment in full of all allowed claims (plus post-petition interest at varying rates with respect to certain secured and unsecured claims) using cash, issuance of new indebtedness, issuance of common stock, or a combination thereof. The Bondholders Plan provided for no recovery by the shareholders of the Company unless the shareholders supported the Bondholders Plan and executed the Veil Piercing Settlement Agreement by a date certain. Confirmation and effectiveness of the Bondholders Plan were subject to the satisfaction of various conditions including the final resolution and settlement, approved by final orders, of all asserted and unasserted claims arising out of or relating to the asbestos-related litigation and all LBO-Related Issues (as said term was defined in the Bondholders Plan).

On December 28, 1993, Chemical Bank and Bankers Trust Company (collectively, the "Bank Agents"), as agents under the Bank Credit Agreement dated as of September 10, 1987, as amended, and the Working Capital Credit Agreement dated as of December 29, 1987, as amended, filed the Bank Agents' Joint Plan of Reorganization dated as of December 28, 1993 (the "Bank Agents Plan"). The Bank Agents Plan is predicated upon a settlement of the asbestos-related litigation which contemplates a distribution of common stock having a value equal to the allowed amount of the "Celotex Disputed Claims" (as said term is defined in the Bank Agents Plan). The Bank Agents Plan contemplates that the allowed amount of the Celotex Disputed Claims shall be determined by: (a) agreement between the holders of such claims and the Bank Agents, (b) a final order of the Bankruptcy Court or (c) an order of the Bankruptcy Court estimating the allowed amount of such claims. The Bank Agents Plan provides for payment in full in cash of all secured allowed claims (including post-filing date interest at varying rates of interest) and the distribution of common stock to holders of unsecured allowed claims (including trade creditors and subordinated bondholders) in full satisfaction of unsecured allowed claims (including post-filing date interest at rates to be agreed to by the Bank Agents or, if no agreement, rates to be determined by the Bankruptcy Court). The Bank Agents Plan provides for a recovery by the shareholders of the Company only to the extent shares of common stock are available after payment in full of unsecured allowed claims. Effectiveness of the Bank Agents Plan is subject to various conditions including the Company's ability to obtain third party financing in an amount sufficient to enable the Debtors to make the cash payments required under the Bank Agents Plan and to meet the Debtors contemplated working capital and letter of credit needs.

On December 30, 1993, LaSalle National Bank (the "Senior Note Trustee"), as the successor trustee under the indenture dated as of January 1, 1988, as amended, filed the Series B & C Senior Note Trustee's Joint Plan of Reorganization of Debtors dated as of December 30, 1993 (the "Senior Note Trustee Plan"). While the Senior Note Trustee Plan was not predicated upon a settlement of the asbestos-related litigation, the plan provided for the issuance of "New Notes" (as said term was defined in the Senior Note Trustee Plan) to fund any settlement which might be approved by the Debtors and the Series B & C Senior Note Trustee.

The Senior Note Trustee Plan was premised upon an "Equity Value" (as said term was defined in the Senior Note Trustee Plan) of $783.8 million. The Senior Note Trustee Plan provided for payment in full in cash of all secured allowed claims (including post-filing date interest at varying rates) and payment in full of unsecured allowed claims (including post-filing date interest at varying rates) by using cash, issuance of new indebtedness, issuance of common stock (subject to dilution in the event a settlement of the asbestos-related litigation was achieved), or a combination thereof. In addition, the Senior Note Trustee Plan provided that the shareholders of the Company would retain their common stock interests, subject to dilution in the event a settlement of the asbestos-related litigation was reached. Effectiveness of the Senior Note Trustee Plan was subject to various conditions which were similar to the conditions set forth in the Debtors First Amended Plan.

By order dated February 25, 1994, the Bankruptcy Court (i) fixed April 20, 1994 as the last date to file any further amendments or supplements to the Plan, the Bondholders Plan, the Bank Agents Plan or the Senior Note Trustee Plan, (ii) allowed one additional party to file, by April 20, 1994, a plan of reorganization and related disclosure statement on behalf of his clients, (iii) fixed April 20, 1994 as the last date for requesting a copy of a plan and disclosure statement filed by the above noted parties, (iv) fixed May 6, 1994 as the last date for any party in interest to file objections to the disclosure statements and (v) scheduled a hearing for May 19, 1994 and continuing, if necessary, through May 20, 1994 to consider approval of disclosure statements.

On April 20, 1994, the Debtors, the Senior Note Trustee and the Bondholders Plan Proponents each filed an amended plan of reorganization and an amended disclosure statement. The Bank Agents did not file any further amendment or supplement to the Bank Agents Plan. The one additional party did not file a plan of reorganization and disclosure statement on behalf of his clients.

The Debtors Second Amended Joint Plan of Reorganization dated as of April 19, 1994 (the "Debtors Second Amended Plan") modified the Debtors First Amended Plan in four significant ways. First, the Debtors Second Amended Plan amended the formula for calculating post-filing date interest with respect to the secured claims of the Revolving Credit Banks (as defined in the Debtors Second Amended Plan) and the Working Capital Banks (as defined in the Debtors Second Amended Plan). The Debtors Second Amended Plan provided for interest on the adjusted pre-filing date principal claims of the Revolving Credit Banks and the Working Capital Banks to accrue at the Chemical Bank Prime Rate (as defined in the Debtors Second Amended Plan) in effect from time to time plus 1½% per annum, compounded on each of January 1, April 1, July 1 and October 1 commencing April 1, 1990.

Second, with respect to pre-filing date unsecured claims, other than Subordinated Note Claims (as defined in the Debtor's Second Amended Plan), the Debtors Second Amended Plan no longer provided for the payment of post-filing date interest.

Third, with respect to Subordinated Note Claims, the Debtors Second Amended Plan did not provide for the payment of post-filing date interest nor for Value Sharing.

Finally, the Debtors Second Amended Plan provided for the shareholders of the Company to retain approximately 75% interest in the Company (subject to the Debtors option to substitute additional debt securities in lieu of common stock presently proposed to be issued under the Debtors Second Amended Plan).

The Senior Note Trustee's First Amended Joint Plan of Reorganization of Debtors dated as of April 20, 1994 (the "Senior Note Trustee Amended Plan") did not in any material way amend the provisions of the Senior Note Trustee Plan.

The First Amended Joint Plan of Reorganization of Debtors Proposed by Certain Creditor Proponents dated as of April 20, 1994 (the "Bondholders Amended Plan") amended the Bondholders Plan in three significant ways. First, the Bondholders Amended Plan annexed to it a Veil Piercing Settlement Agreement dated as of April 18, 1994.

Second, the treatment of Subordinated Note Claims was amended to reflect an Agreement for Settlement of Pre-LBO Issues and Treatment of Subordinated Notes Pursuant to Chapter 11 Plan dated as of March 23, 1994.

Finally, the Bondholders Amended Plan amended the definition of "Qualified Securities" (debt instruments to be issued under the Bondholders Amended Plan to holders of Subordinated Note Claims and as part of the consideration to be paid under the Veil Piercing Settlement Agreement) to provide for subordinated unsecured notes to be issued by the Company.

On April 25, 1994, the Bank Agents filed a motion to defer the Bankruptcy Court's consideration of the Bank Agents Plan and the related disclosure statement until the earlier of December 31, 1994, and the date on which the Bankruptcy Court denies approval of the Bondholders Plan Proponents disclosure statement. The Bank Agents motion was granted by the Bankruptcy Court on May 18, 1994.

On May 6, 1994, objections to the Company's disclosure statement were filed by the Bondholders Plan Proponents, the California Department of Toxic Substances Control and California Regional Water Quality Control Board (the "California EPA"), Mississippi State Tax Commission, Raul Delgado, et al, (the "Texas Homeowners"), the Senior Note Trustee and Purnie Melcher, Mary Melcher, Richard Melcher and Curtis Melcher. Objections to the Bondholders Plan Proponents disclosure statement were filed by the Company, the California EPA, the Senior Note Trustee and the Texas Homeowners. Objections to the Senior Note Trustee's disclosure statement were filed by the Company, the Bondholders Plan Proponents, the California EPA and the Texas Homeowners.

On May 11, 1994, the Bondholders Plan Proponents filed with the Bankruptcy Court their (i) Second Amended Joint Plan of Reorganization of Debtors Proposed by Certain Creditor Proponents dated as of May 11, 1994; (ii) Second Amended Disclosure Statement for Creditor Proponents' Settlement Plan; and (iii) Supplement to Second Amended Disclosure Statement for Creditor Proponents'. Settlement Plan (collectively, the "Bondholders Plan Proponents Second Amended Plan Documents") and on May 17, 1994, the Bondholders Plan Proponents filed with the Bankruptcy Court their (i) Third Amended Joint Plan of Reorganization of Debtors Proposed by Certain Creditor Proponents dated as of May 17, 1994; (ii) Third Amended Disclosure Statement for Creditor Proponents' Settlement Plan; and (iii) Supplement to Third Amended Disclosure Settlement for Creditor Proponents' Settlement Plan (collectively, the "Bondholders Plan Proponents Third Amended Plan Documents").

By motion dated May 13, 1994, the Company sought the entry of an order striking the Bondholders Plan Proponents Second Amended Plan Documents on the basis that the filing of such documents was in violation of the Bankruptcy Court's February 25, 1994 order.

At the hearing held on May 18, 1994, the Bankruptcy Court denied the Company's motion to strike but determined that the Bankruptcy Court would not consider the Bondholders Plan Proponents Second Amended Plan Documents or the Bondholders Plan Proponents Third Amended Plan Documents at the May 19, 1994 disclosure statement hearing.

On May 18, 1994, the Senior Note Trustee filed a motion to defer the Bankruptcy Court's consideration of the Senior Note Trustee Amended Plan and related disclosure statement, which motion was granted on May 19, 1994.

On May 19, 1994, the Bankruptcy Court held a hearing to consider approval of the disclosure statements filed on April 20, 1994, by the Company and the Bondholders Plan Proponents. At the conclusion of the hearing, the Bankruptcy Court fixed June 9, 1994 as the last day to file any further amendments to the Debtors Second Amended Plan and related disclosure statement and the Bondholders Amended Plan and related disclosure statement and fixed June 17, 1994 as the date by when objections to the Company's and the Bondholders Plan Proponents amended disclosure statements could be filed. In addition, the Bankruptcy

Court scheduled a status conference for June 15, 1994 to consider further procedures with respect to the Company's and Bondholders Plan Proponents amended plans of reorganization and disclosure statements.

On June 9, 1994, the Debtors filed the Debtors Third Amended Joint Plan for Reorganization dated as of June 9, 1994 (the "Debtors Third Amended Plan") and the Third Amended Disclosure Statement dated June 9, 1994. The Debtors Third Amended Plan modified the Debtors Second Amended Plan in two significant ways. First, the Debtors Third Amended Plan modified the formula for calculating post-petition interest with respect to the secured claims of the Revolving Credit Banks and the Working Capital Banks. The Debtors Third Amended Plan provides for interest on the adjusted pre-filing date principal claims of the Revolving Credit Banks and the Working Capital Banks to accrue at the (i) Chemical Bank Prime Rate in effect from time to time plus 2½% per annum, compounded on each of January 1, April 1, July 1 and October 1 commencing on April 1, 1990 for the period from the Filing Date to December 31, 1994 and (ii) rate of 13% per annum, compounded on each of January 1, April 1, July 1 and October 1 commencing April 1, 1995 for the period from January 1, 1995 to the Effective Date.

In addition, the Debtors Third Amended Plan modified the formula for calculating post-petition interest with respect to and treatment of Series B & C Senior Note Claims. If the Holders of Series B & C Senior Note Claims accept the Debtors Third Amended Plan, interest on the principal amount accrued and unpaid from the Filing Date to the Effective Date will accrue at the rate of either (i) 14⅝% per annum for the Series B Senior Extendible Reset Notes and 14½% per annum for the Series C Senior Extendible Reset Notes if the holders of such notes receive a combination of cash and debt securities on account of their Allowed Claims or (ii) 13⅝% per annum for the Series B Senior Extendible Reset Notes and 13½% per annum for the Series C Senior Extendible Reset Notes if the holders of such notes receive all cash on account of their Allowed Claims. In the event holders of Series B & C Senior Note Claims do not accept the Debtors Third Amended Plan, then post-filing date interest will accrue at the rate of 9% per annum.

On June 9, 1994, the Bondholders Plan Proponents filed their Second Amended Joint Plan of Reorganization of Debtors Proposed by Certain Creditor Proponents (the "Bondholders Second Amended Plan") and their Second Amended Disclosure Statement for Creditor Proponents' Settlement Plan. The Bondholders Second Amended Plan modified the Bondholders Amended Plan in two significant ways. First, post-filing date interest on Series B & C Senior Note Claims (principal amount due and owing on the Filing Date together with interest on such principal amount accrued and unpaid as of the Filing Date) will accrue (i) with respect to the amount of such Claims paid in cash, at the rate of 13% per annum for the period from the Filing Date to June 30, 1994 and 14⅝% per annum from July 1, 1994 to the Effective Date or (ii) with respect to the amount of such claims paid in debt securities, at the rate of 14% per annum for the period from the Filing Date to June 30, 1994 and 14⅝% per annum for the period from July 1, 1994 to the Effective Date.

In addition, the Bondholders Second Amended Plan provides that the shareholders of the Company may purchase their pro rata share of the shares of the Class B Common Stock that would otherwise be distributable to holders of Subordinated Note Claims or distributable under the Veil Piercing Settlement Agreement at a cash exercise price equal to the "New Common Stock Value Per Share."

On June 15, 1994, the Bankruptcy Court held a status conference with respect to the disclosure statements filed by the Debtors and the Bondholders Plan Proponents on June 9, 1994. At the status conference, the Debtors and the Bondholders Plan Proponents suggested the following procedures and the fixing of the following dates in connection with the disclosure statement approval process: (i) June 21, 1994 was fixed as the last date by which the Debtors and the Bondholders Plan Proponents could serve amended and restated plans of reorganization, which amended and restated plans of reorganization were to be filed with the Bankruptcy Court on June 22, 1994; (ii) June 28, 1994 was fixed as the last date by which the Debtors and the Bondholders Plan Proponents could serve amended and restated disclosure statements, which amended and restated disclosure statements were to be filed with the Bankruptcy Court on June 29, 1994; (iii) July 6, 1994 was fixed as the last date by which parties in interest, other than the clients of Allen Potter, Esq., could

serve written objections to the amended and restated disclosure statements filed by the Debtors and the Bondholders Plan Proponents on June 29, 1994, which objections are to be filed with the Bankruptcy Court no later than July 7, 1994; (iv) July 8, 1994 was fixed as the last date by which the clients of Allen Potter, Esq. could serve and file written objections to amended and restated disclosure statements filed by the Debtors and the Bondholders Plan Proponents; (v) during the period July 7 through July 11, 1994, the Debtors and the Bondholders Plan Proponents are to confer and attempt in good faith to resolve any objections to the amended and restated disclosure statements; (vi) prior to July 7, 1994, the Debtors and the Bondholders Plan Proponents are to attempt to resolve technical balloting and solicitation issues and serve and file, either jointly or separately, a motion regarding such issues and procedures which motion is scheduled to be heard on July 13, 1994; (vii) on July 12, 1994, the Debtors and the Bondholders Plan Proponents shall each file with the Bankruptcy Court a pleading setting forth, without legal argument, unresolved objections to the amended and restated disclosure statements filed by the Debtors and the Bondholders Plan Proponents; and (viii) a hearing is scheduled for July 13, 1994 at which the Bankruptcy Court will hear argument concerning any unresolved objections to the amended and restated disclosure statements filed by the Debtors and the Bondholders Plan Proponents. On June 28, 1994, the Bankruptcy Court entered an order confirming the aforementioned procedures and dates.

On June 22, 1994, the Debtors filed their Fourth Amended Joint Plan of Reorganization dated as of June 21, 1994 (the "Debtors Fourth Amended Plan"). The Debtors Fourth Amended Plan did not materially modify the Debtors Third Amended Plan. The Bondholder Plan Proponents did not file a further amended plan of reorganization.

On June 29, 1994, the Debtors and the Bondholders Plan Proponents each filed an amended disclosure statement.

The process pursuant to which the Debtors Fourth Amended Plan or any further amended plan of reorganization filed by the Debtors and the Bondholders Second Amended Plan or any further amended plan of reorganization filed by the Bondholders Plan Proponents may be confirmed necessarily will be complex and may be delayed pending further developments in the asbestos-related litigation involving the Company (see Note 10). Accordingly, the timing of such confirmation necessarily cannot be predicted.

The Debtors Fourth Amended Plan and/or the Bondholders Second Amended Plan will be sent, along with a disclosure statement approved by the Bankruptcy Court to all members of classes of impaired creditors and equity security holders for acceptance or rejection. In general, the Bankruptcy Code provides that a claim or interest is impaired under a plan unless such plan proposes to pay such claim or interest in full or leave it unaltered. In order to be accepted, at least two-thirds in amount and a majority in number of holders of allowed claims or interests in each class that is impaired who actually vote, must accept the plan. Following acceptance or rejection of any plan by impaired classes of creditors and equity security holders, the Bankruptcy Court at a noticed hearing would consider whether to confirm the plan. Among other things, for confirmation the Bankruptcy Court at a noticed hearing is required to find that (i) each holder of a claim or interests in each impaired class of creditors and equity security holders will, pursuant to the plan, receive at least as much as the class would have received in a liquidation under Chapter 7 of the Bankruptcy Code, (ii) each impaired class of creditors and equity security holders has accepted the plan by the requisite vote and (iii) confirmation of the plan is not likely to be followed by the liquidation or need for further financial reorganization of the debtor or any successor unless the plan proposes such liquidation or reorganization.

If any impaired class of creditors or equity security holders does not accept a plan, and assuming that all of the other requirements of the Bankruptcy Code are met, the proponent of the plan may invoke the so-called "cram down" provisions of the Bankruptcy Code. Under these provisions, the Bankruptcy Court may confirm a plan notwithstanding the nonacceptance of the plan by an impaired class of creditors or equity security holders if certain requirements of the Bankruptcy Code are met including but not limited to finding that the proposed plan and any settlement contemplated therein (i.e. the Veil Piercing Settlement Agreement) is fair

and equitable. These requirements may necessitate provision in full for senior classes of creditors and/or equity security holders before provision for a junior class could be made.

The Company cannot now predict whether, or at what time, the Debtors Fourth Amended Plan, the Bondholders Second Amended Plan or any further amended plans by either party may be confirmed or the ultimate terms thereof.

NOTE 3 — Instalment Notes Receivable

The instalment notes receivable arise from sales of partially-finished homes to customers for time payments primarily over periods of twelve to thirty years and are secured by first mortgages or similar security instruments. Revenue and income from the sale of homes is included in income upon completion of construction and legal transfer to the customer. The buyer's ownership of the land and the improvements necessary to complete the home constitute a significant equity investment which the Company has access to should the buyer default on payment of the instalment note obligation. Of the gross amount of $4,176,040,000 an amount of $3,870,826,000 is due after one year. Instalment payments estimated to be receivable within each of the five years from May 31, 1994 are $305,214,000, $295,254,000, $287,645,000, $281,172,000 and $274,592,000, respectively, and $2,732,163,000 after five years. Time charges are included in equal parts in each monthly payment and are taken into income as collected. This method approximates the interest method since a much larger provision for loan losses and other expenses would be required if time charge income were accelerated. The aggregate amount of instalment notes receivable having at least one payment ninety or more days delinquent was 3.23% and 3.12% of total instalment notes receivable at May 31, 1994 and 1993, respectively.

Mid-State Homes, Inc. ("Mid-State"), an indirect wholly-owned subsidiary of the Company, is the settlor and sole beneficiary of two business trusts established under the laws of Delaware, Mid-State Trust II ("Trust II") and Mid-State Trust III ("Trust III"). The Trusts were organized for the purpose of purchasing instalment notes receivable from Mid-State from the net proceeds from the issuance of the Mortgage-Backed Notes and the Asset Backed Notes described in Note 5. Assets of Trust II and Trust III, including the instalment notes receivable, are not available to satisfy claims of general creditors of the Company and its subsidiaries. Of the gross amount of instalment notes receivable at May 31, 1994 of $4,176,040,000 with an economic balance of $2,051,261,000, receivables owned by Trust II had a gross book value of $1,631,212,000 and an economic balance of $972,093,000 and receivables owned by Trust III had a gross book value of $523,048,000 and an economic balance of $256,904,000.

Restricted short-term investments include (i) temporary investment of reserve funds and collections on instalment notes receivable owned by Trust II which are available only to pay expenses of Trust II and principal and interest on the Mortgage-Backed Notes ($73,000,000), (ii) temporary investment of reserve funds and collections on instalment notes receivable owned by Trust III which are available only to pay expenses of Trust III and principal and interest on the Asset Backed Notes ($12,971,000), (iii) cash securing letters of credit ($3,037,000) and (iv) miscellaneous other segregated accounts restricted to specific uses ($18,544,000), including $6,271,000 from proceeds of sale of assets set aside to offer to purchase Series B and Series C Senior Extendible Reset Notes.

NOTE 4 — Property, Plant and Equipment

Property, plant and equipment are summarized as follows (see Note 1 regarding purchase accounting):

	May 31, 1994	May 31, 1993
	(In thousands)	
Land and mine	$ 200,337	$ 200,000
Land improvements	18,941	17,349
Buildings and leasehold improvements	104,999	99,597
Mine development costs	123,761	116,576
Machinery and equipment	663,898	617,987
Construction in progress	12,003	23,559
Total	$1,123,939	$1,075,068

The Company provides depreciation for financial reporting purposes principally on the straight line method over the useful lives of the assets. Assets (primarily mine development costs) extending for the full life of a coal mine are depreciated on the unit of production basis. For federal income tax purposes accelerated methods are used for substantially all eligible properties. Depletion of minerals is provided based on estimated recoverable quantities.

The Company has capitalized interest on qualifying properties in accordance with Financial Accounting Standards Board Statement No. 34. Interest capitalized for the years ended May 31, 1994, 1993 and 1992 was immaterial. Interest paid in cash for the years ended May 31, 1994, 1993 and 1992 was $91,293,000, $117,853,000 and $109,477,000, respectively.

NOTE 5 — Debt

The Company's cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Checks issued but not yet presented to the banks for payment are classified as bank overdrafts.

As a result of the Reorganization Proceedings, the maturity of all unpaid principal of, and interest on, substantially all of the indebtedness of the Debtors became immediately due and payable in accordance with the terms of the instruments governing such indebtedness.

While the Reorganization Proceedings are pending, the Debtors are prohibited from making any payments of obligations owing as of the petition date, except as permitted by the Bankruptcy Court. Furthermore, the Debtors will not be able to borrow additional funds under any of their prepetition credit arrangements.

At the date of the filing of the Reorganization Proceedings the Company and various of its subsidiaries were borrowing under a Working Capital Agreement which also provided for the issuance of letters of credit. An aggregate of $78,033,000 of borrowings and $17,549,000 of letters of credit are outstanding under this agreement at May 31, 1994. Under the terms of the Working Capital Agreement, overdue principal and, to the extent permitted by law, overdue interest bear interest at a rate equal to 3½% per annum in excess of the reference rate of Chemical Bank (the "Reference Rate") in effect from time to time, provided that no loan will bear interest after maturity at a rate per annum less than 1% in excess of the rate of interest applicable thereto at maturity.

Since the beginning of the Reorganization Proceedings certain of the Debtors have consummated an agreement, as amended, with two commercial banks with respect to a $25 million letter of credit facility. Pursuant to the terms of such "New Letter of Credit Agreement", upon issuance of a letter of credit, the

applicable Debtors will deposit with the issuing bank an amount of cash equal to the stated amount of the letter of credit. At May 31, 1994, $3,037,000 of letters of credit were outstanding under this agreement. Since the beginning of the Reorganization Proceedings certain of the Debtors have also consummated an agreement with the lenders pursuant to which the lenders agree to renew letters of credit issued under the Working Capital Agreement that were outstanding at the time of filing of the petitions for reorganization (the "Replacement Letter of Credit Agreement"). To the extent that the letters of credit under the Replacement Letter of Agreement are renewed during the Reorganization Proceedings, these Debtors have agreed to reimburse the issuing bank for any draws under such letters of credit, which obligation shall be entitled to an administrative expense claim under the Bankruptcy Code. In addition, the obligations of the Debtors under such Replacement Letter of Credit Agreement shall continue to be secured by the collateral which secures the Debtors' obligations under the Bank Credit Agreement and the Working Capital Agreement. The Bankruptcy Court approved the Debtors' entering into the New Letter of Credit Agreement in May 1990. The New Letter of Credit Agreement currently terminates on June 30, 1995.

Long-term debt, in accordance with its contractual terms, consisted of the following at each year end:

	May 31,	
	1994	1993
	(in thousands)	
Senior debt:		
Mortgage-Backed Notes (less unamortized discount of $1,864,000 in 1993)	$ 671,000	$ 811,122
Asset Backed Notes	200,970	229,585
Revolving Credit Agreement	228,249	228,249
Series B Senior Extendible Reset Notes	176,300	176,300
Series C Senior Extendible Reset Notes	5,000	5,000
Other	7,080	13,344
Total senior debt	1,288,599	1,463,600
Subordinated debt:		
Senior Subordinated Extendible Reset Notes	443,046	443,046
Subordinated Notes	350,000	350,000
13-1/8% Subordinated Notes	50,000	50,000
13-3/4% Subordinated Debentures	100,000	100,000
10-7/8% Subordinated Debentures (less unamortized discount of $7,513,000 and $8,280,000)	82,487	81,720
Total subordinated debt	1,025,533	1,024,766
Less: Amount included as liabilities subject to Chapter 11 proceedings (Note 2)	(1,442,162)	(1,441,395)
Total consolidated long-term debt	$ 871,970	$ 1,046,971

The Mortgage-Backed Notes (see Note 3) were issued by Trust II (which did not file a petition for reorganization) in five classes in varying principal amounts. Three of the classes have been fully repaid. The two remaining classes A3 and A4 bear interest at the rates of 9.35% and 9.625%, respectively. Interest on each class of notes is payable quarterly on each January 1, April 1, July 1 and October 1 (each a "Payment Date"). On each Payment Date, regular scheduled principal payments will be made on the Class A3 and Class A4 Notes in order of maturity. Maturities of the balance of these Mortgage-Backed Notes range from April 1, 1998 for the Class A3 Notes to April 1, 2003 for the Class A4 Notes. The Class A3 and Class A4 Notes are subject to special principal payments and the Class A4 Notes may be subject to optional redemption under

specified circumstances. The scheduled principal amount of notes maturing in each of the five years from May 31, 1994 is $87,000,000, $87,000,000, $87,000,000, $87,000,000 and $64,600,000, respectively.

The Asset Backed Notes (see Note 3) issued by Trust III, bear interest at 7⅛%, constitute a single class and have a final maturity date of April 1, 2022. Payments are made quarterly on January 1, April 1, July 1 and October 1, based on collections on the underlying collateral less amounts paid for interest on the notes and Trust III expenses.

Set forth in the following paragraphs is a description of the terms of the Company's various senior, senior subordinated and subordinated debt agreements as in effect on the petition date. Such provisions do not necessarily presently govern the respective rights of the Company, its subsidiaries and the various lenders. Instead, the rights of the parties will be determined in connection with the Reorganization Proceedings.

The Company, Old Walter Industries and certain operating subsidiaries of the Company (the "Revolving Loan Borrowers"), on a joint and several basis, were initially permitted to borrow up to an aggregate of $800,000,000 under the terms of a credit agreement dated as of September 10, 1987, as amended, with various banks (the "Revolving Credit Agreement"), of which $700,000,000 was a term loan and $100,000,000 was a revolving loan. The commitment under the Revolving Credit Agreement had been reduced to $242,292,000 at the petition date and was scheduled to be fully repaid by quarterly payments through June 30, 1991. Additionally, the commitment would have been reduced by the proceeds of certain asset sales. Interest, at the option of the Revolving Loan Borrowers, was at (i) the Reference Rate plus 1½%, (ii) a LIBOR rate plus 2¼% or (iii) a certificate of deposit rate plus 2½%. A commitment fee of ½ of 1% per annum was required based on the daily average unutilized commitment. In fiscal 1991, pursuant to an order of the Bankruptcy Court, $7,356,000 of proceeds from the sale of an asset held as security for the Revolving Credit Agreement and setoff of bank accounts were turned over to the lenders with reservation of rights as to application of such payment. The Company has applied such payment to a reduction of principal ($5,794,000 to the Revolving Credit Agreement and $1,562,000 to the Working Capital Agreement). In June 1991, pursuant to an order of the Bankruptcy Court, $10,704,000 of proceeds from the prepayment of the promissory note received in connection with the sale of Apache Building Products Company in 1988, plus $350,000 of interest earned thereon, held in a segregated escrow account were applied as a reduction of principal ($8,249,000 to the Revolving Credit Agreement and $2,805,000 to the Working Capital Agreement). Bankers Trust Company and Chemical Bank, as agents for the various bank lenders under the Revolving Credit Agreement (the "Revolving Credit Banks"), appealed the Bankruptcy Court's order, permitting the application of proceeds to the principal of the indebtedness only, to the District Court (as defined in Note 10). On April 29, 1992, the District Court reversed the Bankruptcy Court's order and remanded the case to the Bankruptcy Court for further proceedings and determinations on the issues of whether the Revolving Credit Banks are oversecured creditors, the reasonable, relevant, applicable interest rate and whether the Debtors will ultimately prove to be solvent. At May 31, 1994, $228,249,000 principal amount of loans were outstanding. Under the terms of the Revolving Credit Agreement, overdue principal and, to the extent permitted by law, overdue interest bear interest at a rate equal to 3½% per annum in excess of the Reference Rate in effect from time to time, provided that no loan will bear interest after maturity at a rate per annum less than 1% in excess of the rate of interest applicable thereto at maturity.

The Series B Senior Extendible Reset Notes and Series C Senior Extendible Notes were bearing interest at rates of 14⅜% and 14½%, respectively, on the petition date, payable semi-annually, in cash, on January 1 and July 1 and were to mature on January 1, 1990 unless the Senior Note Issuers (three subsidiaries of the Company) elected to extend the notes for one or more additional one-year periods. In the event the maturity was extended, the interest rate would be reset to the interest rate per annum these notes should bear in order to have a bid value of 101% of the principal amount as of the reset date. In no event, however, would the interest rate be reset below the interest rate then in effect.

The Senior Note Issuers are the following principal operating subsidiaries: Jim Walter Homes, Inc., Jim Walter Resources, Inc. ("Jim Walter Resources") and United States Pipe and Foundry Company ("U.S. Pipe"). See Note 14 for Summarized Financial Information of the Senior Note Issuers.

The Senior Subordinated Extendible Reset Notes were bearing interest at a rate of 16⅝% per annum on the petition date until reset as described herein, payable semi-annually on January 1 and July 1, in cash or, at the option of the Subordinated Note Issuers (two subsidiaries of the Company who are also the issuers of the Subordinated Notes) on or before January 1, 1993, by delivering additional Senior Subordinated Extendible Reset Notes (valued at their principal amount). The Senior Subordinated Extendible Reset Notes were to mature on January 1, 1990, unless the Subordinated Note Issuers elected to extend the notes for one or more additional one-year periods. In the event the maturity was extended, the interest rate would be reset to the interest rate per annum these notes should bear in order to have a bid value of 101% of the principal amount as of the reset date. In no event, however, would the interest rate be reset below the interest rate then in effect.

The Subordinated Notes were bearing interest at a rate of 17% per annum on the petition date payable semi-annually, in cash, on January 1 and July 1.

The Subordinated Note Issuers are the following principal operating subsidiaries: Jim Walter Homes, Inc. and U.S. Pipe. See Note 14 for Summarized Financial Information of the Subordinated Note Issuers.

Subordinated debt assumed by Old Walter Industries from Original Jim Walter in connection with the Acquisition includes the (i) 13⅛% Subordinated Notes, (ii) 13¾% Subordinated Debentures and (iii) 10⅞% Subordinated Debentures (which were sold at a discount to yield 12¾% to maturity).

The Company's various debt agreements had covenants which, among other things, restricted incurrence of additional indebtedness, dividend payments, mergers, consolidations and sales of assets by the Company and its subsidiaries, and required the Company to maintain certain financial ratios. However, as a result of the automatic stay resulting from the filing of the Reorganization Proceedings, neither the indenture trustees nor the holders of the Company's debt may enforce any rights, exercise any remedies or realize on any claims in the event the Company or any of its subsidiaries fails to comply with any of the covenants contained in the various debt agreements.

NOTE 6 — Income Taxes

Income tax expense (benefit) is made up of the following components:

	May 31, 1994		May 31, 1993		May 31, 1992	
	Current	Deferred	Current	Deferred	Current	Deferred
			(in thousands)			
United States	$38,712	$(11,716)	$44,093	$(22,682)	$34,349	$(23,494)
State and local	2,886	(965)	4,048	(1,131)	1,608	—
Total	$41,598	$(12,681)	$48,141	$(23,813)	$35,957	$(23,494)

Federal income tax paid for fiscal 1994, 1993 and 1992 was approximately $37.1 million, $35.9 million, and $52.7 million. State income tax payments approximated the amounts provided above.

The Company adopted Statement of Financial Accounting Standards No. 109 ("FAS 109"), "Accounting for Income Taxes" in 1993. FAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events which have been recognized in the Company's financial statements or tax returns. FAS 109 generally considers all expected future events other than changes in tax law or rates. Previously, the Company used the FAS 96 asset and liability method that gave no recognition to future events other than the recovery of assets against liabilities

which reversed in the same time period. The change to FAS 109 did not require any change to the financial statements.

Deferred income taxes result from timing differences in the recognition of revenue and expense for tax and financial reporting purposes. The tax effect of such timing differences is summarized as follows:

	May 31,		
	1994	1993	1992
		(in thousands)	
Effect of tax loss and tax credit carryforwards	$ —	$ —	$ 4,779
Revenues recognized on the instalment sales method for tax purposes and on the accrual basis for financial reporting	(11,899)	(11,271)	(13,123)
Excess of book over tax depreciation	(3,197)	(6,149)	(10,850)
Postretirement benefit obligation	(6,690)	(7,594)	—
Amortization of investment tax credit	—	(219)	(384)
Mine development expense	1,936	913	573
Timing differences relating to accrued expenses	5,156	2,364	(3,542)
Enacted tax rate change	2,833	—	—
Other, net	145	(726)	(947)
Total	$(11,716)	$(22,682)	$(23,494)
Statutory tax rate	35.0%	34.0%	34.0%
Effect of:			
Adjustment to deferred taxes	5.3	—	—
State and local income tax	3.3	2.7	3.0
Percentage depletion	(1.7)	(8.3)	(13.8)
Enacted tax rate change	9.4	—	—
Amortization of net investment tax credit	—	(.3)	(1.1)
Nonconventional source fuel credit	(10.8)	(7.7)	(15.2)
Amortization of excess of purchase price over net assets acquired	47.1	19.0	38.9
Benefit of capital loss carryforward	(8.5)	(4.7)	(10.2)
Other, net	1.0	(.4)	.2
Effective tax rate	80.1%	34.3%	35.8%

On August 10, 1993, the Omnibus Budget Reconciliation Act of 1993 was signed into law raising the federal corporate income tax rate to 35% from 34%, retroactive to January 1, 1993. FAS 109 requires that deferred tax liabilities and assets be adjusted in the period of enactment for the effect of an enacted change in the tax laws or rates. The effect of the change was $2,833,000 and such amount is included in the provision for

deferred income taxes for the year ended May 31, 1994. Deferred tax liabilities (assets) are comprised of the following:

	May 31, 1994	May 31, 1993
	(In thousands)	
Instalment sales method for instalment notes receivable in prior years	$ 52,549	$ 62,608
Depreciation	117,053	93,701
Difference in basis of assets under purchase accounting	27,269	28,119
Capital loss carryforward	(12,600)	(15,800)
Accrued expenses	(43,716)	(28,044)
Postretirement benefits other than pensions	(80,003)	(70,551)
Valuation allowance	12,600	15,800
Total deferred tax liability	$ 73,152	$ 85,833

The Revenue Act of 1987 eliminated the instalment sales method of tax reporting for instalment sales after December 31, 1987.

For book purposes the Company recognized a long-term capital loss of approximately $75.0 million in fiscal 1989. This loss was recognized for tax purposes in fiscal 1992 and is deductible to the extent of capital gains of approximately $8.8 million, $9.9 million and $10.4 million in years ended May 31, 1994, 1993 and 1992, respectively. The remaining capital loss is available as a carryback to fiscal 1991 to be offset against capital gains of approximately $8.3 million and as a carryforward to the succeeding three years. The Company has established a valuation allowance of $12.6 million to offset the deferred tax asset related to the carryforward since the Company cannot predict whether capital gains sufficient to offset the carryforward will be realized in the three year carryforward period. If certain substantial changes in the Company's ownership should occur, there would be an annual limitation on the amount of such loss carryforward which could be utilized. The Company allocates federal income tax expense (benefit) to its subsidiaries based on their separate taxable income (loss).

A substantial controversy exists with regard to federal income taxes allegedly owed by the Company. Proofs of claim have been filed by the Internal Revenue Service in the amounts of $110,560,883 with respect to fiscal years ended August 31, 1980 and August 31, 1983 through August 31, 1987, $31,468,189 with respect to fiscal years ended May 31, 1988 (nine months) and May 31, 1989 and $44,837,693 with respect to fiscal years ended May 31, 1990 and May 31, 1991. Objections to the proofs of claim have been filed by the Company and the various issues are being litigated in the Bankruptcy Court. The Company believes that such proofs of claim are substantially without merit and intends to defend such claims against the Company vigorously.

NOTE 7 — Stockholders' Equity

KKR Associates, a New York limited partnership, is the sole general partner of three partnerships which own a total of 28,500,000 shares of the outstanding common stock of the Company.

The Company entered into common stock subscription agreements, dated as of December 1, 1987 (the "Management Common Stock Subscription Agreements"), with certain individuals who are former or current members of management (the "Management Investors") under which an aggregate of 893,500 shares of common stock remain outstanding. The Management Common Stock Subscription Agreements generally provide the Company with a right of first refusal with respect to any bona fide offer from a third party to purchase any or all of such Management Investor's shares of common stock commencing after January 7,

1993; provided that such transfer restrictions and right of first refusal will terminate in the event of a public offering of the Company's common stock.

NOTE 8 — Stock Options

Under stock option plans approved by stockholders in October 1987, an aggregate of 3,318,182 shares of the Company's common stock have been reserved for the grant and issuance of incentive and non-qualified stock options (the "Options"). Options for 1,618,568 shares, all of which are exercisable, were outstanding at May 31, 1994. The exercise price of each Option granted is $5.00 per share, the fair market value at date of grant. During 1994, 1993 and 1992 options for 59,727, 384,909 and 16,591 shares were cancelled.

NOTE 9 — Related Party Transactions

Following its incorporation, the Company retained KKR to provide financial, financial advisory and consulting services to the Company in connection with the Acquisition and the Merger, for which the Company paid to KKR a fee of $35 million. KKR has agreed to provide management consulting and financial services to the Company and its subsidiaries on an annually renewable basis. Effective with the commencement of the Reorganization Proceedings, current payment of these consulting fees was suspended. The annual rate at such time was $550,000.

NOTE 10 — Litigation and Other Matters

Note 1 contains a description of the organization of the Company and the acquisition of Original Jim Walter. On April 21, 1988, the Company sold all of the outstanding capital stock of JWC Holdings, the parent corporation of Jim Walter Corporation (formerly J-II) and its subsidiaries, including The Celotex Corporation ("Celotex") and its subsidiaries. Celotex is a co-defendant with other miners, manufacturers and distributors of asbestos-containing products in a very large number of lawsuits filed throughout the United States alleging injuries to the health of persons exposed to asbestos-containing products. Original Jim Walter had been named as a defendant in certain asbestos-related lawsuits from time to time and the Company understands that Original Jim Walter's corporate successor, Jim Walter Corporation, currently is a co-defendant in a number of the asbestos-related lawsuits filed against Celotex. As discussed below, the Company and certain of its subsidiaries and other affiliates have been served with process as a co-defendant in a number of these lawsuits. The Company understands that prior to the Tender Offer Celotex ceased to be engaged in the mining, manufacturing and distribution of the asbestos-containing products that have given rise to the aforementioned asbestos-related lawsuits against Celotex. Because Jim Walter Corporation, Celotex and their respective affiliates are not affiliates of the Company, neither the Company, Old Walter Industries nor any of their respective affiliates can make any representation as to the status of the asbestos-related litigation pending against Jim Walter Corporation, Celotex and their respective affiliates, the amount of the alleged damages sought from Jim Walter Corporation, Celotex and their respective affiliates in those lawsuits, the insurance coverage available to them to satisfy asbestos-related claims, or any other matter related to such litigation.

The Company understands that the extent of the alleged injuries in the asbestos-related lawsuits filed against Celotex varies from case to case, many of the complaints against Celotex request punitive damages in addition to the compensatory damages and the aggregate damages sought in these cases is very substantial. In addition to these personal injury cases, a substantial number of actions, some of which are styled as class actions, have been filed against Celotex and numerous co-defendants seeking very substantial aggregate damages for the cost of detecting, analyzing, repairing and/or removing asbestos-containing materials in buildings owned or operated by the plaintiffs. The Company understands that the number of asbestos-related lawsuits filed against Celotex has continued to grow in recent years and the magnitude of the additional claims that are expected to be asserted against Celotex in the future cannot be accurately predicted at this time. The Company understands that the cost to Celotex to date of settling or otherwise disposing of asbestos-related

lawsuits has been very substantial and that a substantial portion of such cost has been borne by insurance carriers pursuant to their insurance policies or settlement agreements with Celotex. The Company believes, however, that (i) most of Celotex' available insurance coverage prior to late 1977 has been exhausted, (ii) since late 1977, most of Celotex' insurance policies have excluded coverage for asbestosis, which is the basis for most of the personal injury claims pending against Celotex, (iii) beginning in late 1977, an increasing number of Celotex' policies have excluded coverage for other asbestos-related diseases and Celotex and its insurers dispute the scope of most of those exclusions, (iv) since late 1984, coverage for asbestos-related personal injury and property damage claims generally have been excluded from Celotex policies, (v) Celotex' insurers dispute whether any of Celotex' policies cover any asbestos-related property damage claims and (vi) no insurance is available for punitive damages in many jurisdictions. The insurance coverage disputes referred to above are the subject of litigation. The uncertain outcome and possible adverse consequences of the insurance coverage disputes referred to above, the continued growth in the number of asbestos-related lawsuits filed against Celotex and the very substantial aggregate damages alleged therein and the possibility that future disposition costs could exceed those experienced to date by Celotex, could impair the ability of Celotex to continue to satisfy asbestos-related claims. On October 12, 1990, Celotex and its wholly-owned subsidiary, Carey Canada, Inc. each filed a petition for reorganization under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Middle District of Florida, Tampa Division. The Chapter 11 cases were assigned to the Honorable Thomas E. Baynes, Jr. As a result thereof and pursuant to the automatic stay provisions contained in §362 of the Bankruptcy Code, all actions (other than those actions set forth in §362(b) and, as discussed below, other than, for certain limited purposes, the Declaratory Judgment Proceeding commenced by the Debtors) commenced against Celotex prior to October 12, 1990 were stayed pending any future modification of the automatic stay under the Bankruptcy Code. On May 8, 1991, the Debtors filed a motion in the Celotex Chapter 11 case seeking to have the automatic stay lifted so as to allow the Debtors to continue to prosecute the Declaratory Judgment Proceeding against Celotex and others. On June 4, 1991, Judge Baynes granted the Debtors motion for the limited purpose of permitting them to file and proceed with a motion for summary judgment and to prosecute or defend any appeals arising from or related to such motion.

A substantial number of the asbestos-related lawsuits filed against Celotex relate to the asbestos-related operations of a predecessor corporation of Rapid-American Corporation, a Delaware corporation ("Rapid-American"), which subsequently were transferred by Rapid-American to a corporation which was merged into Celotex in 1972. According to Rapid-American's Annual Report on Form 10-K for the fiscal year ended January 31, 1989, Rapid-American is a co-defendant in a number of personal injury and property damage cases. Each of Celotex and its predecessor corporation had indemnified RapidAmerican and its predecessor corporation against all liabilities relating to those operations for a limited time period. The extent of the indemnification is currently a matter of dispute.

As stated above, the Company and certain of its subsidiaries and other affiliates have been served with process as a codefendant in a number of the asbestos-related lawsuits described above. One of these lawsuits is a class action filed in federal court in Beaumont, Texas that involves approximately 3,000 plaintiffs alleging asbestos-related personal injuries. Plaintiffs in the class action added Old Walter Industries as a defendant alleging, among other things, that (i) Original Jim Walter and its successors, including Jim Walter Corporation and HAC, are liable for all damages caused by the products manufactured, sold and distributed by Celotex by reason, among other things, of operating Celotex as a division, and conspiring with Celotex and other co-defendants to market harmful products; (ii) the distribution by HAC of substantially all of its assets to Old Walter Industries constituted a fraudulent conveyance; and (iii) Old Walter Industries is a successor to the liabilities of HAC and is thus liable to the plaintiffs for injuries caused by Celotex and certain named subsidiaries and/or predecessor companies of Celotex, and Original Jim Walter and its successors, including HAC and Jim Walter Corporation.

Another asbestos-related lawsuit is a purported class action filed on July 13, 1989 in state court in Beaumont, Texas against the Company, Old Walter Industries, KKR, KKR Associates, Jim Walter Corporation, HAC, Celotex, Drexel Burnham Lambert Incorporated ("Drexel Burnham"), Drexel Burnham Lambert Group, Inc. ("Drexel Burnham Group"), and certain directors and executive officers of the Company, Old Walter Industries and Original Jim Walter (i.e., John B. Carter, Jr., Perry Golkin, Henry R. Kravis, Paul E. Raether, George R. Roberts, Michael T. Tokarz and Gene M. Woodfin) that purports to involve all persons pursuing unsatisfied personal injury or wrongful death claims against Celotex or Jim Walter Corporation based upon exposure to asbestos. The action originally named as defendants, in addition to those individuals and entities named above, James O. Alston, Joe B. Cordell and James W. Walter, directors and executive officers of the Company, Old Walter Industries and Original Jim Walter. Subsequently, plaintiffs voluntarily dismissed their claims against Messrs. Alston, Cordell and Walter. On December 26, 1989, plaintiffs filed their Second Amended Original Petition and Application for Temporary Injunction. Plaintiffs allege, among other things, that (i) Original Jim Walter and its successors, including Jim Walter Corporation and HAC, are liable for all damages caused by the products manufactured, sold and distributed by Celotex by reason, among other things, of operating Celotex as a division; (ii) the distribution by HAC of substantially all of its assets to Old Walter Industries constituted a fraudulent conveyance; (iii) Old Walter Industries is a successor to the liabilities of HAC and the corporate separateness of Old Walter Industries and HAC should be disregarded, and thus Old Walter Industries is liable to the plaintiffs for injuries caused by Celotex and its predecessors and Original Jim Walter and its successors, including HAC and Jim Walter Corporation; (iv) the corporate separateness of the Company and Old Walter Industries should be disregarded; (v) the sales and transfers of assets by Old Walter Industries are fraudulent; and (vi) the individual defendants, KKR, KKR Associates, Drexel Burnham, Drexel Burnham Group and the Company conspired to effect the allegedly fraudulent transfers of assets from and to Old Walter Industries. The relief requested by the plaintiffs includes, among other things, (i) enjoining each defendant from transferring any assets formerly owned by Original Jim Walter (and any proceeds from the disposition thereof); (ii) requiring each defendant to account for all transfers of such assets or proceeds; (iii) requiring each defendant to transfer such assets and proceeds to Celotex to be held in trust for the benefit of the plaintiffs; (iv) appointing a receiver to take charge of such assets and proceeds or of any other property of any defendant; (v) holding the defendants jointly and severally liable for damages equal to the fair market value of any assets formerly owned by Original Jim Walter which have been sold and cannot be recovered; and (vi) punitive damages, interest and costs. Plaintiffs also requested the Beaumont state court to issue a temporary injunction enjoining the Company from selling or otherwise transferring or encumbering its stock in any corporation that owns assets formerly owned by Original Jim Walter or Old Walter Industries. The Company agreed to give the plaintiffs 15 days prior notice of any closing of any disposition of stock of a corporation which owns assets formerly owned by Original Jim Walter or its subsidiaries. On September 12 through 15, 1989, the Beaumont state court held a hearing on the defendants' motions to dismiss the action for lack of personal jurisdiction. These motions were denied. On October 11, 1989, plaintiffs filed a motion for class certification. On October 16, 1989, defendants KKR, KKR Associates, and Messrs. Kravis, Roberts, Raether, Tokarz and Golkin filed a motion for a change of venue. Discovery was conducted with respect to the class certification and venue motions. The Beaumont state court did not hold a hearing on either the motion for Class Certification or the motion to change venue.

Some of the other asbestos-related lawsuits pending against the Company and its subsidiaries involve claims against the Company and its subsidiaries and request relief from the Company and its subsidiaries similar to one or more of the claims involved and remedies requested in the lawsuits pending against the Company and its subsidiaries in Beaumont, Texas. On December 27, 1989, the Debtors commenced the Reorganization Proceedings. As a result of the automatic stay provisions of the Bankruptcy Code, all pending litigation against the Debtors was automatically stayed. On December 29, 1989, plaintiffs moved before the Beaumont state court to sever the claims against the Company and Old Walter Industries from their claims against the remaining defendants. On January 2, 1990, the Beaumont state court action was removed to the United States Bankruptcy Court for the Eastern District of Texas, Beaumont Division. On January 5, 1990,

certain defendants in that action moved to transfer the lawsuit to the United States District Court for the Middle District of Florida, Tampa Division (the "District Court"). The plaintiffs in that action moved to remand that action to state court. All proceedings in that action have been stayed by agreement of the parties and order of the District Court pending resolution of the abstention issues in the Reorganization Proceedings in the Bankruptcy Court. Other asbestos-related lawsuits pending against the Company and its subsidiaries allege personal injuries arising out of exposure to asbestos and further allege, among other things, that (i) each named defendant has been or is now engaged, directly or indirectly, in the manufacture, supply, sale or otherwise placing into the stream of commerce, asbestos or asbestos-containing products and (ii) defendants should be held liable on the theories of strict products liability and negligence for plaintiffs' injuries. None of the complaints filed in such latter actions contain, at this time, corporate veil-piercing or fraudulent conveyance claims. The relief requested by the plaintiffs in these actions includes, among other things, general damages, punitive damages and special damages in amounts to be proven at the time of trial. There can be no assurance that the Company, its subsidiaries or other affiliates will not, in the future, be named as co-defendants in other asbestos-related lawsuits, whether currently pending or subsequently commenced, or that temporary or preliminary injunctive relief against the sale by the Company of any of its assets will not be granted in any such pending or future lawsuit prior to judgment. Based on the advice of outside counsel, the Company believes that it and its affiliates have and would have a variety of meritorious procedural and substantive defenses to the claims made or any claims which may be made against them in pending or future asbestos-related lawsuits. Accordingly, the Company believes that such claims are and would be without foundation or merit and intends to defend such cases vigorously. Plaintiffs have not specified the amount of compensatory and punitive damages they seek from the Company and its affiliates in the lawsuits pending in Beaumont, Texas and most of the other asbestos-related lawsuits against the Company and its affiliates referred to above. Such alleged damages are expected to be very substantial and, accordingly, if judgments against the Company and its subsidiaries are rendered in such lawsuits, the Company and its subsidiaries could be materially adversely affected.

On January 2, 1990, the Debtors commenced the Declaratory Judgment Proceeding against Jim Walter Corporation, Celotex and all known individuals who had filed suit against the Debtors seeking to hold them liable for asbestos-related liabilities of Celotex. The Declaratory Judgment Proceeding requested the Bankruptcy Court to declare and adjudicate that (i) the corporate veil between Jim Walter Corporation and Celotex may not be pierced, (ii) the leveraged buyout of Original Jim Walter was not a fraudulent conveyance, nor were any subsequent transactions entered into as a part of that leveraged buyout fraudulent transfers, (iii) neither the Company, Old Walter Industries nor any of their subsidiaries or affiliates is the successor in interest to the asbestos-related liabilities of either Jim Walter Corporation or Celotex and (iv) neither the Company, Old Walter Industries nor any of their subsidiaries or affiliates is liable for the asbestos-related liabilities of either Jim Walter Corporation or Celotex.

On January 2, 1990, the Debtors also commenced another proceeding by filing in the Bankruptcy Court a Complaint to Extend the Automatic Stay (the "Injunction Proceeding") wherein the Debtors sought to enjoin all actions against Jim Walter Corporation and all other non-debtors on corporate veil piercing or related theories, and further seeking a permanent injunction staying all such actions, including the previously disclosed proposed class-action lawsuit filed in state court in Beaumont, Texas. That action was removed to the United States Bankruptcy Court for the Eastern District of Texas, Beaumont Division by certain of the defendants after the Debtors commenced the Reorganization Proceedings. A motion to transfer said action to the Bankruptcy Court is now pending, as well as a motion filed by the plaintiffs to remand said action to the state court in Beaumont.

On January 9, 1990, the Debtors filed their Motion for Preliminary Injunction in the Injunction Proceeding seeking a preliminary injunction extending the automatic stay under §362 of the Bankruptcy Code to enjoin the prosecution of any action in which plaintiffs seek to hold Jim Walter Corporation and other non-

Debtors responsible for the asbestos-related liabilities of Jim Walter Corporation's subsidiary, Celotex, on a piercing the corporate veil or similar legal theory.

On January 19, 1990, an asbestos claimant filed a motion in the Bankruptcy Court requesting the Bankruptcy Court to dismiss and abstain from deciding or, in the alternative, to stay the Declaratory Judgment Proceeding. The asbestos claimant also opposed the Debtors' motion for a preliminary injunction. A hearing on the pending motions was held on January 22, 1990. Subsequently, the asbestos claimant, joined by four additional claimants, also moved to dismiss the Injunction Proceeding.

On April 13, 1990, and as amended, the Bankruptcy Court issued its proposed findings of fact, conclusions of law and recommendation pursuant to Bankruptcy Rule 9011 which recommended, among other things, that the District Court deny the asbestos claimants' motion to abstain from deciding, or to stay, the Declaratory Judgment Proceeding as to the Debtors. The asbestos claimants subsequently filed objections to the proposed findings of fact, conclusions of law and recommendations with the District Court. On April 20, 1990, the Bankruptcy Court entered orders (i) deferring a ruling on the asbestos claimants' motion to dismiss the Injunction Proceeding until the District Court decided whether or not to adopt the Bankruptcy Court's recommendation and (ii) preliminarily enjoining all asbestos-related personal injury and property damage claimants and their attorneys and agents and all other persons acting on their behalf from commencing or continuing any civil action in any United States federal or state court in which such persons are attempting to assert claims against non-Debtors that are based on the right to pierce the corporate veil between Celotex and Jim Walter Corporation or that relate to or are connected with claims that attempt to impose liability on the Debtors for asbestos-related claims. The asbestos claimants filed an appeal of the preliminary injunction with the District Court. On February 5, 1991, the District Court entered an order denying the asbestos claimants' action for leave to appeal an interlocutory order, thus letting stand the preliminary injunction of the Bankruptcy Court entered on April 20, 1990 enjoining all asbestos-related personal injury and property damage claimants and their attorneys and agents and all other persons acting on their behalf from commencing or continuing any civil action in any United States federal or state court in which such persons are attempting to assert claims against non-Debtors that are based on the right to pierce the corporate veil between Celotex and Jim Walter Corporation or that relate to or are connected with claims that attempt to impose liability on the Debtors for asbestos-related claims.

On May 17, and May 22, 1990, the asbestos claimants filed motions in the Bankruptcy Court and in the District Court, respectively, each seeking stay of the Declaratory Judgment Proceeding, each of which was denied by those courts on May 17 and June 5, 1990, respectively. Also on May 17, 1990, certain asbestos defendants filed a motion in District Court for withdrawal of reference as to the Declaratory Judgment Proceeding from the Bankruptcy Court. On July 11, 1990, the District Court issued an order dated June 29, 1990 which declined to rule on the asbestos claimants' motion for withdrawal of reference until after the Bankruptcy Court ruled on any motion for summary judgment.

On September 2, 1992, the asbestos claimants filed a renewed request to withdraw the reference in the District Court. On September 14, 1992, the Debtors filed a memorandum of law responsive to the asbestos claimants' renewal request. On September 15, 1992, the District Court entered an order denying the asbestos claimants' motion to withdraw the reference. The District Court held that while the asbestos claimants could have their claims heard by a jury, they were not entitled to a jury trial on the claims of piercing the corporate veil and fraudulent conveyance because those claims are equitable in nature. On September 22, 1992, the asbestos claimants filed a motion for reconsideration and, pleading in the alternative, requested the District Court to certify the order for interlocutory review in the United States Circuit Court of Appeals for the Eleventh Circuit ("Court of Appeals"). On October 5, 1992, the Debtors filed their Memorandum of Law in opposition to the asbestos claimants' motion for reconsideration. On February 23, 1993, the District Court entered an order denying the motion for reconsideration and request for certification of interlocutory appeal. On March 3, 1993, the asbestos claimants filed a petition for a writ of mandamus with the Court of Appeals.

On April 13, 1993, the Debtors filed their response to the writ of mandamus. On April 19, 1993, the Court of Appeals denied the asbestos claimants' petition for such writ of mandamus.

On July 11, 1990, the District Court adopted the Bankruptcy Court's proposed findings of fact, conclusions of law and recommendation pursuant to Bankruptcy Rule 9011, and denied the asbestos claimants' motion to abstain from deciding, or to stay, the Declaratory Judgment Proceeding. As a result of the District Court's decisions, absent any reversal on reconsideration or appeal, the Bankruptcy Court was empowered to rule on a motion for summary judgment in the Declaratory Judgment Proceeding.

On July 17, 1990, the asbestos claimants filed a motion in the District Court seeking reconsideration of the July 11, 1990 order denying the motion for abstention, and, in the alternative, seeking certification of that order for interlocutory appeal to the Court of Appeals pursuant to 28 U.S.C. §1292. The asbestos claimants also sought a stay pending determination of their motion. On July 30, 1990, the Debtors opposed the July 17, 1990 motion.

On December 6, 1990, the District Court entered an order (a) denying the asbestos claimants' motion to reconsider the District Court's decision of July 11, 1990 which adopted the Bankruptcy Court's recommendation to deny the asbestos defendants' motion to require the Bankruptcy Court to abstain from considering the Declaratory Judgment Proceeding commenced by the Debtors against the asbestos defendants; (b) giving the asbestos claimants ten (10) days from the date of the order to seek interlocutory appeal to the Court of Appeals and (c) granting the asbestos claimants' motion to stay further prosecution of the Declaratory Judgment Proceeding pending the outcome of the interlocutory appeal. On December 17, 1990, the asbestos claimants filed their Petition for Permission to Appeal with the Court of Appeals. On February 5, 1991, the Court of Appeals denied the asbestos claimants' Petition for Permission to Appeal. By so ruling, the Court of Appeals let stand the District Court's ruling of December 6, 1990 denying the asbestos claimants' motion to reconsider the District Court's decision of July 11, 1990, which adopted the Bankruptcy Court's recommendation to deny the asbestos claimants' motion to abstain in such proceeding. On March 19, 1991, the asbestos claimants filed with the District Court a Renewed Motion for Reconsideration of their Motion to Abstain, which also sought to continue the stay in the Bankruptcy Court. On April 16, 1991, the District Court entered an order confirming that its stay of proceedings in the Bankruptcy Court had expired. In addition, the District Court denied the asbestos claimants' Renewed Motion for Reconsideration of their Motion to Abstain. Because the District Court's stay was lifted, the Declaratory Judgment Proceeding went forward in the Bankruptcy Court under schedules that were set by the Bankruptcy Court.

Discovery in the Declaratory Judgment Proceeding was to have been concluded on July 6, 1990 pursuant to a Bankruptcy Court order. Subsequent to issuance of that order, certain discovery disputes arose between Jim Walter Corporation and the asbestos claimants centered upon issues relating to whether or not certain documentation was subject to various privileges and thus protected. After protracted litigation wherein various issues were appealed to the District Court and the Court of Appeals, on June 15, 1992 Jim Walter Corporation and the asbestos claimants entered into a stipulation regarding the resolution of all their then pending discovery disputes, without either party waiving their right for further review, if necessary.

Following a hearing on January 8, 1992, the Bankruptcy Court ordered that any motions for summary judgment in the Declaratory Judgment Proceeding be filed by March 1, 1992 and set oral arguments for April 16, 1992. On February 28, 1992, the Debtors filed their Motion for Summary Judgment and supporting affidavits. On April 9, 1992, the asbestos claimants filed their Response to Debtors' Motion for Summary Judgment, and on May 7, 1992, filed a Supplemental Response to the Debtors' Motion for Summary Judgment. On April 16, 1992, oral arguments were heard by the Bankruptcy Court on the Debtors' Motion for Summary Judgment. On May 29, 1992, the Debtors filed their Statement of Undisputed Facts and Memorandum of Law in Support of their Motion for Summary Judgment. On May 29, 1992, asbestos claimants filed their Brief in Opposition to Debtors' Motion for Summary Judgment.

On August 25, 1992, the Bankruptcy Court entered an order denying the Debtors' Motion for Summary Judgment. On September 3, 1992, the Debtors filed a motion to reopen the record to make additional findings of fact pursuant to Rule 43(e) of the Federal Rules of Civil Procedure. On September 18, 1992, the asbestos claimants filed their opposition to the Debtors' motion. On October 8, 1992, the Bankruptcy Court denied the Debtors' motion to reopen the record to make additional findings of fact.

On September 14, 1992, the Debtors filed a motion to strike the asbestos claimants' demand for a jury trial and on September 21, 1992, the Debtors filed a motion for a pre-hearing conference to resolve all motions pending before the Bankruptcy Court. On October 7, 1992, the Bankruptcy Court entered an order granting the Debtors' motion to strike the asbestos claimants demand for jury trial.

On July 29, 1992, the asbestos claimants served discovery requests upon the Debtors, Celotex, Jim Walter Corporation and other parties not defendants to the Declaratory Judgment Proceeding. Upon a motion for protective order by one of the non-party witnesses, which was granted by order dated October 7, 1992, the Bankruptcy Court suspended all discovery in the adversary proceeding, and indicated that it would enter, without a hearing, an order on the issue of additional permitted discovery, if any, on the veil piercing question and, if appropriate, describe the scope of any production of documents.

On October 5, 1992, the asbestos claimants filed a motion for pre-trial conference to address a number of issues, including but not limited to the nature and scope of discovery. On October 30, 1992, the Bankruptcy Court entered orders denying all pending motions for pre-trial conference stating that the parties had not obtained further relief from the automatic stay in the Celotex bankruptcy case.

On October 30, 1992, Celotex filed Proofs of Claim in each of the Debtor's bankruptcy cases claiming that each Debtor is liable for all claims which Celotex may hold (1) predicated upon a piercing the corporate veil, alter ego, instrumentality, agency, conspiracy and any related theory of law, equity or admiralty; (2) arising out of the leveraged buyout of Original Jim Walter which resulted in the January 7, 1988 transfer by Hillsborough Acquisition Corporation of substantially all of its assets to the Company; (3) arising out of the transfer of Celotex assets for less than reasonably equivalent value; and (4) arising out of that certain Stock Purchase Agreement dated April 21, 1988 and amendments thereto. The total amount of the Proofs of Claim included all scheduled and filed claims against Celotex in their bankruptcy proceedings, all unfiled present asbestos-related personal injury and property damage claims and all future asbestos-related personal injury claims against Celotex. On November 6, 1992, the Debtors filed their objections to the claims of Celotex. On November 25, 1992, the Bankruptcy Court sustained the Debtors objections to the Proofs of Claim filed by Celotex without prejudice to the right to file Proofs of Claim, if appropriate, at the conclusion of the veil piercing litigation.

On November 13, 1992, the Debtors filed a motion in the Celotex bankruptcy case for limited relief from the automatic stay for the sole purpose of permitting a trial on the veil piercing claims in the Declaratory Judgment Proceeding and the prosecution or defense of any appeals arising from or relating to the decision in such trial. On December 4, 1992, the asbestos claimants filed a cross-motion for relief from the automatic stay requesting that the automatic stay be lifted to permit Celotex to participate in all aspects of the Declaratory Judgment Proceeding. On December 9, 1992, Judge Baynes granted relief from the automatic stay, permitting Celotex to participate in all aspects of the Declaratory Judgment Proceeding up through final judgment.

On December 15, 1992, the Debtors, asbestos claimants, Celotex and Jim Walter Corporation filed a Joint Motion for Pre-Trial Conference which the Bankruptcy Court granted.

On January 13, 1993, a pre-trial conference was held. As a result of the pre-trial conference, the Bankruptcy Court entered two orders on February 3, 1993. One order identified five discrete issues to be tried. The other order set forth a detailed schedule for any discovery which remained. On February 16, 1993, the Debtors filed a Motion for Reconsideration in the Bankruptcy Court seeking a reconsideration of the discovery schedule which the Debtors believe to be unnecessarily long. In the motion for reconsideration, the Debtors

proposed a more condensed discovery schedule which would lead to a trial of the remaining issues by July 1993. The Bankruptcy Court granted the motion for reconsideration and held a hearing on March 17, 1993, wherein the Bankruptcy Court agreed to review the issue and enter an order accordingly. At a hearing held on April 22, 1993, the Bankruptcy Court stated that the trial on the remaining issues would commence December 13, 1993.

On February 18, 1993, the Debtors served upon the asbestos claimants discovery requests in the form of interrogatories and requests for production of documents. On February 18, 1993, the asbestos claimants served upon the Debtors (i) discovery requests in the form of interrogatories and requests for production of documents and (ii) deposition notices which included document production requests on certain parties not defendants to the Declaratory Judgment Proceeding. The Debtors, Jim Walter Corporation, the asbestos claimants, and other non-party defendants filed responses and motions for protective orders regarding certain discovery requests which motions were heard on March 17, 1993. The Bankruptcy Court entered an order from the bench both granting and denying particular subject matters contained in the motions for protective orders. The Bankruptcy Court gave all parties until April 10, 1993 to comply with the discovery requests in accordance with the Bankruptcy Court's guidance. The Debtors produced additional documents in accordance with the Bankruptcy Court's order and answered additional interrogatories.

On April 15, 1993, the asbestos claimants filed motions to compel the Debtors, Jim Walter Corporation and Celotex to respond to their discovery requests with more detailed financial documents. At a hearing on April 22, 1993, the Bankruptcy Court denied in almost its entirety the asbestos claimants motion to compel filed against the Debtors. The motions to compel filed against Jim Walter Corporation and Celotex were continued to allow the parties to comply by April 30, 1993. On April 21, 1993, the asbestos claimants served Request for Admissions on the Debtors, Jim Walter Corporation and Celotex. On May 21, 1993, all parties served their responses to said Request for Admissions.

On June 14, 1993, the Debtors filed a pre-conference statement requesting the Bankruptcy Court to set definite dates for discovery and all other pretrial matters. Prior to the June 16, 1993 status conference, the Debtors, asbestos claimants and other interested parties agreed to stipulate to certain dates contained within the Debtor's proposal.

On June 21, 1993, the asbestos claimants served additional discovery on the Debtors, Celotex and Jim Walter corporation. The Debtors served responses thereto on July 1, 1993. On July 7, 1993, the Debtors filed a motion for protective order striking certain of the asbestos claimants' discovery requests.

On July 14, 1993, the Debtors, Jim Walter Corporation, Celotex and the asbestos claimants entered into a stipulation that modified the previously agreed upon discovery dates in the Declaratory Judgment Proceeding and set a firm pre-trial schedule leading to a December 13, 1993 trial date, which the Bankruptcy Court approved by order dated August 17, 1993.

On July 16, 1993, the asbestos claimants filed a Petition for Writ of Certiorari with the United States Supreme Court, seeking review of the decision of the Court of Appeals for the Eleventh Circuit denying the asbestos claimants' Writ of Mandamus on the issue of their right to a jury trial on veil piercing issues. On August 18, 1993, the Company filed its brief in opposition to the asbestos claimants Petition for Writ of Certiorari. On August 25, 1993, the asbestos claimants filed a reply brief. On October 4, 1993, the United States Supreme Court denied the petition for certiorari.

On August 12, 1993, the Bankruptcy Court entered an order which denied the asbestos claimants motions to compel discovery against one non-party which, in effect, upheld the accountant-client privilege.

On October 5, 1993, the Debtors filed a motion in the Bankruptcy Court which sought to limit the trial on the veil piercing claims in the Declaratory Judgment Proceeding to six days which was denied by the Bankruptcy Court at a hearing held November 3, 1993.

On October 18, 1993, the Debtors, Jim Walter Corporation and the asbestos claimants filed their designation of testifying experts. On October 22, 1993, the Company filed a motion seeking to preclude the testimony of certain of the asbestos claimants designated experts. On November 16, 1993, the Bankruptcy Court entered an order that precluded the testimony of three of the asbestos claimants designated experts and limited the testimony of two of the other asbestos claimants designated experts.

On October 21, 1993, the Bankruptcy Court entered an order which directed that, in order to assure the trial in the veil piercing adversary proceeding not be unduly prolonged, all parties must file all mutually agreed upon exhibits, premarked and accompanied by a log identifying each, no later than November 15, 1993. The parties thereafter entered into a stipulation which extended the time to file exhibits to December 7, 1993. A hearing to decide the admissibility of those exhibits in dispute was held November 29, 1993. The Bankruptcy Court ruled on the appropriate submission of certain grouped documents and limited by date the admissibility of other exhibits. The Bankruptcy Court scheduled a hearing for December 6, 1993 to consider any other motions which had been filed and to consider the admissibility of any other exhibits not decided at the November 29, 1993 hearing. On December 13, 1993, the Bankruptcy Court entered an order disposing of all outstanding motions relating to testimony by experts.

On October 25, 1993, the asbestos claimants filed certain motions to compel production of documents and compliance with subpoena from third parties which were not parties to the adversary proceeding. At a hearing held November 3, 1993, the Bankruptcy Court allowed production of certain documents which were withheld under attorney-client privilege. By order dated November 5, 1993, the Bankruptcy Court denied the asbestos claimants motion to compel production of certain accountant's workpapers, holding that the accountant-client privilege was applicable.

On November 24, 1993, the Bankruptcy Court entered an order denying the asbestos claimants motion to reschedule the pretrial conference scheduled for November 29, 1993 and the final evidentiary hearing scheduled to commence December 13, 1993. On December 6, 1993, the asbestos claimants filed a renewed motion for continuance which sought to continue the final evidentiary hearing until January 1994. On December 8, 1993, the Bankruptcy Court entered an order denying the renewed motion to reschedule the final evidentiary hearing. On December 8,1993, the asbestos claimants filed an Emergency Petition for Writ of Mandamus in the District Court which sought to have the District Court enter an order continuing the final evidentiary hearing. At a hearing held on December 9, 1993, the District Court denied the asbestos claimants' Emergency Petition for Writ of Mandamus.

On December 13, 1993, the final evidentiary hearing commenced in the Bankruptcy Court and concluded on December 17, 1993. Post-trial briefs were submitted by the Company, Jim Walter Corporation and the asbestos claimants on March 16, 1994.

On April 18, 1994, the Bankruptcy Court issued its Findings of Fact, Conclusions of Law and Memorandum Decision (the "Veil Piercing Decision"). In the Veil Piercing Decision, the Bankruptcy Court found that there was no basis for piercing the corporate veil, finding for the Debtors on every contested factual issue. In every case, the Bankruptcy Court found that Original Jim Walter's actions were motivated by sound business judgment and were consistent with sound business practices as recognized in the corporate business world. The Veil Piercing Decision addressed six specific factual issues:

- Cash Management. Original Jim Walter had maintained a cash management system for all subsidiaries, including Celotex. The Bankruptcy Court found that the cash management system was totally consistent with sound business practices widely recognized in the corporate business world.
- Corporate Assessment. Original Jim Walter recovered certain costs, including interest costs, through a corporate assessment charged to all subsidiaries, including Celotex. The Bankruptcy Court found nothing inherently improper in the assessment by a parent of charges incurred on behalf of the subsidiary. The

Bankruptcy Court further stated that forcing the subsidiary to seek services from third parties would not have been either an efficient or economic manner to conduct its business.

- Line of Business Reporting. Original Jim Walter and its subsidiaries reported results according to lines of business. The Bankruptcy Court found this to be a proper manner for a parent to oversee the operation of its subsidiaries.
- Decision Making Process. The Bankruptcy Court rejected claims that Original Jim Walter management was improperly involved in the decision making processes of its subsidiaries, including capital acquisition and disposition decisions, instead finding that the involvement by Original Jim Walter in these areas was proper within the accepted standards of the corporate business world.
- Motivation to Sell Assets. The Bankruptcy Court found that the asbestos claimants failed to prove that Original Jim Walter took any actions intended to evade any possible liability resulting from the asbestos litigation. The Bankruptcy Court found that the liquidation process was a result of sound proper business judgment and not motivated by any desire to injure the Asbestos Claimants or denude Celotex of its assets.
- Repayment of Intercompany Payables. The Bankruptcy Court rejected the claim that it was improper for Celotex to have repaid intercompany payables owing to Original Jim Walter. The Bankruptcy Court found that those Original Jim Walter receivables were debts of Celotex. The Bankruptcy Court explicitly rejected the argument that there was an obligation to leave funds in Celotex, rather than repay valid debts to Original Jim Walter, because of Celotex' asbestos liabilities.

A Final Judgment was also entered on April 18, 1994 holding that the corporate veil between Celotex and Jim Walter Corporation shall not be pierced.

On April 26, 1994, the asbestos claimants filed a Notice of Appeal with the District Court appealing the Final Judgment entered by the Bankruptcy Court on April 18, 1994. On May 7, 1994, the asbestos claimants filed their statement of issues and designated those items which were to be included in the record on appeal. On May 19, 1994, the Debtors filed their counter designation of items to be included in the record on appeal.

On June 3, 1994, the asbestos claimants filed emergency motions in the District Court to modify the briefing schedule and to modify page limits in the filing of briefs. On June 6, 1994, the District Court granted the asbestos claimants' emergency motion to modify the briefing schedule. On June 21, 1994, the Debtors filed an emergency motion on consent to expedite ruling on the asbestos claimants motion to modify page limits. On June 23, 1994, the District Court denied the asbestos claimants' motion to modify the page limits in the filing of briefs and ordered that the asbestos claimants serve and file their principal brief on or before July 18, 1994 and the Debtors file and serve their brief within 15 days thereafter. The asbestos claimants may then serve and file a reply brief within 10 days of the Debtors' service of their brief.

On April 28, 1994, the Debtors commenced an adversary proceeding in the Celotex Chapter 11 Proceeding seeking the entry of a judgment declaring that under applicable law, an action to pierce the corporate veil between Celotex and Original Jim Walter is property of Celotex' Chapter 11 estate and therefore Celotex, as a debtor in possession, has the exclusive right to assert a corporate veil piercing action against Original Jim Walter on behalf of all Celotex creditors. The adversary proceeding seeks the entry of judgment declaring that all creditors of Celotex are therefore bound by the Veil Piercing Decision. Contemporaneous with the adversary proceeding, the Debtors filed a motion for summary judgment with respect to its complaint. On May 18, 1994, Celotex filed a motion to strike the Debtors' motion for summary judgment as being untimely filed.

On June 17, 1994, Celotex and Carey Canada filed motions to dismiss Count (iii) of the complaint for failure to state an actual case or controversy with any named defendant, or, in the alternative, require the complaint to be amended. Further, Celotex and Carey Canada state that the adversary proceeding is properly stayed, and therefore their time to answer or otherwise respond should be deferred.

While the Bankruptcy Court has granted the Debtors the relief sought, there can be no assurance that its ruling will be affirmed upon appeal. Moreover, the Debtors necessarily cannot predict the timing of any appellate proceedings. If the asbestos health and/or asbestos property damage claimants ultimately prevail on their allegations that the Debtors may be liable for claims asserted against Celotex, it is not possible at this time: (i) to quantify the amount of these claims, although the Debtors believe these claims will be substantial; (ii) to predict how these claims will be treated in any plan or plans of reorganization; (iii) to determine the impact of these claims on the operations of the Debtors; or (iv) to predict their ability to confirm a plan or plans of reorganization.

JWC Holdings, Jim Walter Corporation, Celotex and the other subsidiaries of JWC Holdings have indemnified the Company and its affiliates against any liability or expense incurred as a result of any asbestos-related lawsuit. However, there can be no assurance that the Company and its affiliates will be reimbursed by Jim Walter Corporation and its subsidiaries pursuant to the aforementioned indemnity for any liability or expense resulting therefrom.

The Company is a party to a number of other lawsuits arising in the ordinary course of its business. While the results of litigation cannot be predicted with certainty, the Company believes that the final outcome of such other litigation will not have a materially adverse effect on the Company's consolidated financial condition.

NOTE 11 — Pension and Other Employee Benefits

The Company has various pension and profit sharing plans covering substantially all employees. In addition to its own pension plans, the Company contributes to certain multi-employer plans. Total pension expense for the years ended May 31, 1994, 1993 and 1992, was $9.7 million, $16.5 million and $20.1 million, respectively. The decrease in pension expense in fiscal 1994 from the prior year is due principally to no contributions being required to be made to the United Mine Workers of America 1950 Pension Plan Trust as such trust had no unfunded vested benefits. The funding of retirement and employee benefit plans is in accordance with the requirements of the plans and, where applicable, in sufficient amounts to satisfy the "Minimum Funding Standards" of the Employee Retirement Income Security Act of 1974 ("ERISA"). The plans provide benefits based on years of service and compensation or at stated amounts for each year of service.

The net pension costs for Company administered plans are as follows:

	For the Years Ended May 31,		
	1994	1993	1992
		(in thousands)	
Service cost-benefits earned during the period	$ 5,334	$ 5,233	$ 4,849
Interest cost on projected benefit obligation	16,333	15,634	14,695
Actual return on assets	(19,352)	(18,131)	(25,212)
Net amortization and deferral	3,145	3,174	11,954
Net pension costs	$ 5,460	$ 5,910	$ 6,286

The following table sets forth the funded status of Company administered plans:

	May 31, 1994		May 31, 1993	
	Plans in which		Plans in which	
	Assets exceed accumulated benefits	Accumulated benefits exceed assets	Assets exceed accumulated benefits	Accumulated benefits exceed assets
Actuarial present value of accumulated benefit obligations:				
Vested benefits	$133,348	$ 41,353	$115,915	$ 37,492
Non-vested benefits	5,599	1,604	4,639	1,626
	$138,947	$ 42,957	$120,554	$ 39,118
Plan assets at fair value, primarily stocks and bonds	$187,443	$ 27,012	$176,551	$ 24,926
Projected benefit obligations	166,386	42,957	149,258	39,118
Plan assets in excess of (less than) projected benefit obligations	21,057	(15,945)	27,293	(14,192)
Unamortized portion of transition (asset) obligation at June 1, 1986	(11,281)	5,002	(12,546)	5,709
Unrecognized net loss (gain) from actual experience different from that assumed	808	2,903	(5,318)	79
Prior service cost not recognized	836	2,487	985	2,540
Contribution to plans after measurement date	879	819	1,369	771
Prepaid (accrued) pension cost	12,299	(4,734)	11,783	(5,093)
Additional liability	—	(10,393)	—	(8,224)
Prepaid pension cost (pension liability) recognized in the balance sheet	$ 12,299	$(15,127)	$ 11,783	$(13,317)

The projected benefit obligations were determined using an assumed discount rate of 8.0% in fiscal 1994 and 9.0% in fiscal 1993 and, where applicable, an assumed rate of increase in future compensation levels of 5% in fiscal 1994 and 6% in fiscal 1993. The assumed long-term rate of return on plan assets is 8%.

Under the labor contract with the United Mine Workers of America, Jim Walter Resources makes payments into multi-employer pension plan trusts established for union employees. Under ERISA, as amended by the Multiemployer Pension Plan Amendments Act of 1980, an employer is liable for a proportionate part of the plans' unfunded vested benefits liabilities. The Company estimates that its allocated portion of the unfunded vested benefits liabilities of these plans amounted to approximately $43.0 million at May 31, 1994. However, although the net liability can be estimated, its components, the relative position of each employer with respect to actuarial present value of accumulated benefits and net assets available for benefits, are not available to the Company.

The Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" in fiscal 1993. Upon adoption, the Company elected to record the transition obligation of $166.4 million pre-tax ($104.6 million after tax) as a one-time charge against earnings, rather than amortize it over a longer period. This obligation is primarily related to the health benefits for eligible retirees. Post-retirement benefit costs were $25.6 million in 1994 and $23.5 million in 1993. Amounts paid for postretirement benefits were $5.5 million in 1994, $6.5 million in 1993 and $3.9 million in 1992.

The net periodic postretirement benefit cost includes the following components:

	For the Years Ended May 31,	
	1994	1993
	(in thousands)	
Service cost	$ 9,302	$ 8,495
Interest cost	16,283	14,979
Net periodic postretirement benefit cost	$25,585	$23,474

The accumulated postretirement benefits obligation at May 31, 1994 and 1993 are as follows:

	May 31,	
	1994	1993
	(in thousands)	
Retirees	$ 72,779	$ 70,220
Fully eligible, active participants	26,234	23,493
Other active participants	122,228	96,192
Accumulated postretirement benefit obligation	221,241	189,905
Unrecognized net loss	(11,279)	—
Postretirement benefit liability recognized in the balance sheet	$209,962	$189,905

The principal assumptions used to measure the accumulated postretirement benefit obligation include a discount rate of 8% in fiscal 1994 and 9% in fiscal 1993 and a health care cost trend rate of 13% declining to 6.0% over a twelve year period and remaining level thereafter in fiscal 1994 and a health care cost trend rate of 14% declining to 6.5% in fiscal 1993. The change in the assumptions used to calculate the accumulated postretirement benefits obligation resulted in an unrecognized net loss of $11.3 million. A one percent increase in the health care cost component would increase the accumulated postretirement benefit obligation by approximately $35.1 million and increase net periodic postretirement benefit cost for 1994 by approximately $5.1 million.

Certain subsidiaries of the Company maintain profit sharing plans. The total cost of these plans for the years ended May 31, 1994, 1993 and 1992 was $3.1 million, $3.0 million and $2.7 million, respectively.

NOTE 12 — Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("FAS 107") requires disclosure of estimated fair values for all financial instruments for which it is practicable to estimate fair value. Considerable judgment is necessary in developing estimates of fair value and a variety of valuation techniques are allowed under FAS 107. The derived fair value estimates resulting from the judgments and valuation techniques applied cannot be substantiated by comparison to independent materials or to disclosures by other companies with similar financial instruments. Furthermore, FAS 107 fair value disclosures do not purport to be the amount which could be attained in immediate settlement of the financial instrument. Fair value estimates are not necessarily more relevant than historical cost values and have limited usefulness in evaluating long-term assets and liabilities held in the ordinary course of business. Accordingly, management believes that the disclosures required by FAS 107 have limited relevance to the Company and its operations. In addition, because of the Company's petition for reorganization (see Note 2) and the asbestos-related litigation (see Note 10) estimates are either not practicable or are subject to a much wider degree of uncertainty than would normally be the case.

The following methods and assumptions were used to estimate fair value disclosures:

Cash (including short-term investments) and short-term investments-restricted — The carrying amount reported in the balance sheet approximates fair value.

Instalment notes receivable — In connection with the Reorganization Proceedings, the Debtors financial advisor made a valuation of the mortgage portfolio at May 31, 1993, which has been adjusted to reflect the estimated increase in value resulting from the addition of net new mortgage notes during fiscal 1994. This estimated value ranges from $1.065 billion to $1.104 billion as compared to a net carrying value of $487.2 million (net of indebtedness of $872 million secured by certain of the instalment notes receivable). Value of mortgage-backed instruments such as instalment notes receivable are very sensitive to changes in interest rates.

Debt — Due to the uncertainties arising from the Debtors' petitions for reorganization, the asbestos-related litigation and the preliminary status of plan of reorganization negotiations there are no reliable market quotations or other valid market comparisons and accordingly, it is impracticable to estimate a fair value of the Company's various outstanding debt instruments.

NOTE 13 — Segment Information

Information relating to the Company's business segments is set forth on pages F-37 and F-38.

NOTE 14 — Summarized Financial Information

The consolidated financial statements presented herein are of the Company, which is a guarantor of the obligations of the Senior Note Issuers and the Subordinated Note Issuers (see Note 5). Summarized financial information for the Senior Note Issuers and the Subordinated Note Issuers is set forth below:

	Senior Note Issuers			Subordinated Note Issuers		
	For the Years Ended May 31,			For the Years Ended May 31,		
	1994	1993	1992	1994	1993	1992
	(In thousands)			(in thousands)		
INCOME DATA						
Net sales and revenues	$839,146	$858,560	$932,056	$524,840	$510,944	$516,368
Cost of sales (exclusive of depreciation, depletion and amortization)	661,748	630,917	730,655	404,761	390,550	384,346
Other operating expenses	103,187	103,257	119,224	77,242	74,221	77,013
Postretirement health benefits (Note 11)	20,931	19,307	—	6,281	5,870	—
Chapter 11 costs	7,048	4,845	3,000	4,350	2,933	1,664
Interest and amortization of debt expense	42,803	43,092	45,990	28,304	28,625	30,226
Amortization of excess purchase price	21,436	21,498	21,431	23,182	23,244	23,181
	(18,007)	35,644	11,756	(19,280)	(14,499)	(62)
Provision for income taxes (Note 6)	396	(14,785)	392	(3,215)	(3,469)	(8,000)
Income (loss) from operations before cumulative effect of accounting change	(17,611)	20,859	12,148	(22,495)	(17,968)	(8,062)
Cumulative effect of change in accounting principle — postretirement benefits other than pensions (net of income tax benefit) (Note 11)	—	(82,513)	—	—	(26,725)	—
Net income (loss)	$(17,611)	$(61,654)	$ 12,148	$(22,495)	$(44,693)	$ (8,062)

	Senior Note Issuers			Subordinated Note Issuers		
	May 31,			May 31,		
	1994	1993	1992	1994	1993	1992
		(in thousands)			(in thousands)	
ASSETS						
Cash (includes short-term investments)	$ 22,673	$ 23,753	$ 21,531	$ 22,638	$ 23,714	$ 21,479
Short-term investments, restricted	6,927	8,652	10,986	3,910	5,699	8,195
Trade and other receivables, net	100,490	114,169	112,877	82,197	72,582	70,436
Inventories	132,850	128,647	129,848	102,986	93,384	90,534
Prepaid expenses	8,177	4,921	5,531	3,610	3,300	3,938
Intercompany receivables	1,914,257	1,723,343	1,545,659	1,419,685	1,264,689	1,153,071
Property, plant and equipment, net	522,070	525,779	523,763	169,186	172,962	173,930
Unamortized debt expense and other assets	27,269	33,563	39,520	18,171	25,671	32,433
Excess of purchase price over net assets acquired	284,238	305,673	327,171	307,386	330,568	353,812
	$3,018,951	$2,868,500	$2,716,886	$2,129,769	$1,992,569	$1,907,828
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)						
Bank overdrafts	$ 21,752	$ 13,590	$ 21,347	$ 12,184	$ 9,758	$ 14,108
Accounts payable and accrued expenses	113,235	115,162	123,105	60,285	57,694	61,878
Income taxes payable (Note 6)	7,548	7,209	6,557	5,600	5,036	4,853
Deferred income taxes (Note 6)	56,282	63,514	128,401	34,146	40,812	66,433
Intercompany payables	693,786	578,132	483,491	698,066	570,337	483,369
Long-term senior debt	—	6,264	—	—	—	—
Accrued postpetition interest on secured obligations	194,621	152,633	110,821	132,683	104,665	76,741
Accumulated postretirement health benefits obligation (Note 11)	166,631	150,904	—	53,009	48,492	—
Other long-term liabilities	37,368	36,178	37,404	7,543	6,949	7,598
Liabilities subject to Chapter 11 proceedings	1,733,187	1,731,865	1,731,406	1,445,394	1,444,575	1,444,253
Stockholder's equity (deficit)	(5,459)	13,049	74,354	(319,141)	(295,749)	(251,405)
	$3,018,951	$2,868,500	$2,716,886	$2,129,769	$1,992,569	$1,907,828

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

SEGMENT INFORMATION

	For the Years Ended May 31,		
	1994	1993	1992
		(in thousands)	
Sales and Revenues:			
Homebuilding and related financing	$ 424,530	$ 419,378	$ 409,071
Building materials	56,111	51,539	46,887
Industrial products	180,615	171,541	165,007
Water and waste water transmission products	345,136	320,740	324,400
Natural resources(e)	319,410	351,017	419,274
Corporate	2,722	4,771	1,942
Consolidated sales and revenues(a)(f)	$1,328,524	$1,318,986	$1,366,581
Contributions to Operating Income:			
Homebuilding and related financing	$ 101,954	$ 88,902	$ 82,718
Building materials	2,074	2,354	2,343
Industrial products	11,873	9,997	11,226
Water and waste water transmission products	25,545	14,990	24,492
Natural resources	(1,175)	50,807	16,020
	140,271	167,050	136,799
Less-Unallocated corporate interest and other expense(b)	(104,179)	(96,128)	(101,994)
Income taxes	(28,917)	(24,328)	(12,463)
Net income from operations(c)	$ 7,175	$ 46,594	$ 22,342
Depreciation, Depletion and Amortization:			
Homebuilding and related financing	$ 3,093	$ 3,113	$ 3,059
Building materials	1,570	1,421	1,103
Industrial products	8,915	8,654	9,118
Water and waste water transmission products	15,399	15,079	14,492
Natural resources	40,326	40,714	53,556
Corporate	1,732	1,502	1,473
Total	$ 71,035	$ 70,483	$ 82,801
Capital Expenditures:			
Homebuilding and related financing	$ 3,210	$ 6,284	$ 6,357
Building materials	1,115	998	709
Industrial products	9,752	8,344	7,284
Water and waste water transmission products	13,613	12,084	16,379
Natural resources	40,224	42,941	36,993
Corporate	1,917	1,057	627
Total	$ 69,831	$ 71,708	$ 68,349
Identifiable Assets:			
Homebuilding and related financing	$1,832,919	$1,907,199	$1,899,737
Building materials	55,568	57,343	57,564
Industrial products	132,685	129,392	129,723
Water and waste water transmission products	475,369	478,234	496,890
Natural resources	450,468	475,533	477,150
Corporate(d)	193,883	175,533	110,202
Total	$3,140,892	$3,223,234	$3,171,266

(a) Inter-segment sales (made primarily at prevailing market prices) are deducted from sales of the selling segment and are insignificant in amount with the exception of the sales of the Industrial Products Group to the Water and Waste Water Transmission Products Group of $19,359,000, $18,667,000 and $16,661,000 and sales of the Natural Resources Group to the Industrial Products Group of $5,650,000, $7,121,000 and $9,552,000 in 1994, 1993 and 1992, respectively.

(b) Excludes interest expense incurred by the Homebuilding and Related Financing Group of $128,828,000, $137,945,000 and $136,955,000 in 1994, 1993 and 1992, respectively. The balance of unallocated expenses is attributable to all groups and cannot be reasonably allocated to specific groups.

(c) Includes postretirement health benefits of $25,585,000 and $23,474,000 in 1994 and 1993. A breakdown by segment is as follows:

	For the Years Ended May, 31,	
	1994	1993
	(in thousands)	
Homebuilding and related financing	$ 2,170	$ 1,991
Building materials	504	463
Industrial products	3,158	2,821
Water and waste water transmission products	4,391	4,136
Natural resources	14,681	13,437
Corporate	681	626
	$25,585	$23,474

(d) Primarily cash and corporate headquarters buildings and equipment.

(e) Includes sales of coal of $289,279,000, $321,834,000 and $392,674,000 in 1994, 1993 and 1992, respectively.

(f) Export sales, primarily coal, were $155,966,000, $183,188,000 and $206,546,000 in 1994, 1993 and 1992, respectively. Export sales to any single geographic area do not exceed 10% of consolidated net sales and revenues.

EXHIBIT A.2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the consolidated financial statements and notes thereto of Walter Industries, Inc. and subsidiaries (see Index to Financial Statements on Page F-1), particularly the "Segment Information" on pages F-37 and F-38 which presents sales and operating income by operating group.

The "Segment Information" is prepared on the basis of product markets rather than legal corporate structures and thus does not reflect separate data for the issuers and guarantors of certain of the Company's outstanding indebtedness. However, see Note 14 of Notes to Financial Statements as to combined financial data for such issuers. The guarantors are holding companies and neither one currently, with the exception of Walter Industries, Inc., which provides certain corporate staff functions and owns a twin-tower, eight story office building located on a plot of land in excess of 13 acres in Tampa, Florida, has any substantial properties or engages in any substantial business other than through subsidiaries.

Results of Operations:
Years ended May 31, 1994 and 1993

Consolidated net sales and revenues for the year ended May 31, 1994 were $9.5 million, or .7%, greater than the prior year. The improved performance was the result of increased pricing and/or product mix as sales volumes were level with the prior year. The increase in net sales and revenues resulted from improved sales and revenues in the Homebuilding and Related Financing, Building Materials, Industrial Products and Water and Waste Water Transmission Products Groups, partially offset by lower sales and revenues in the Natural Resources Group.

Homebuilding and Related Financing Group sales and revenues were $5.2 million, or 1.2%, greater than the prior year. This performance reflects a 3.5% increase in the average selling price per home sold from $37,000 in 1993 to $38,300 in 1994, which was more than offset by a 9.5% decrease in the number of homes sold from 4,784 units in 1993 to 4,331 units in 1994. The higher average selling price in 1994 reflects a price increase instituted April 1, 1993 to compensate for higher lumber costs and a greater percentage of "90% complete" homes sold this year versus last year. The decrease in unit sales reflects continuing strong competition in virtually every Jim Walter Homes sales region. Jim Walter Homes' backlog at May 31, 1994 was 2,065 units (all of which are expected to be completed prior to the end of fiscal 1995) compared to 1,831 units at May 31, 1993. Time charge income (revenues received from Mid-State Home's instalment note portfolio) increased from $218.7 million in 1993 to $238.1 million in 1994. The increase in time charge income is attributable to increased payoffs received in advance of maturity and to an increase in the average balance per account in the portfolio. The Group's operating income of $102.0 million exceeded the prior year period by $13.1 million. This improvement resulted from the increase in the average selling price per home sold, the higher time charge income and lower interest expense in 1994 ($128.8 million) compared to that incurred in 1993 ($137.9 million), partially offset by the lower number of homes sold, reduced homebuilding gross profit margins and higher selling, general and administrative expenses. The lower gross profit margins were the result of higher average lumber prices, the effect of discounts relating to sales promotions on certain models instituted during the period February 1994 through May 1994 and the decision in October 1992 to reduce gross profit margins on five smaller basic shelter homes to generate additional sales.

Building Materials Group sales and revenues were $4.6 million, or 8.9%, greater than the prior year. The increase principally resulted from improved sales prices and volumes for window components and greater metal building and foundry products sales volumes. The Group's operating income of $2.1 million was $280,000 below the prior year. The lower performance was the result of the increased manufacturing costs in the window components and metal building and foundry businesses, partially offset by the increased sales.

Industrial Products Group sales and revenues were $9.1 million, or 5.3%, ahead of the prior year. Increased sales volumes of aluminum foil, foundry coke, castings, resin coated sand and chemicals and higher selling prices for furnace coke were partially offset by lower sales volumes of mineral wool and patterns and tooling and lower selling prices for aluminum foil and sheet. The Group's operating income of $11.9 million was $1.9 million greater than the prior year. The improved performance resulted from the sales increase and higher gross profit margins for furnace coke and mineral wool, partially offset by reduced margins for chemicals, foundry coke, castings, resin coated sand and patterns and tooling.

Water and Waste Water Transmission Products Group sales and revenues were $24.4 million, or 7.6%, ahead of the prior year. The increase was the result of higher selling prices and volumes for ductile iron pressure pipe and valves and hydrants and increased selling prices for fittings, partially offset by lower fittings volume. The order backlog of pressure pipe at May 31, 1994 was 111,907 tons, which represents approximately three months shipments, compared to 121,173 tons at May 31, 1993. Operating income of $25.5 million exceeded the prior year period by $10.6 million. The improved performance resulted from the increased sales prices and volumes, partially offset by higher raw material costs, especially scrap, a major raw material component.

Natural Resources Group sales and revenues were $31.6 million, or 9.0%, below the prior year. The decrease resulted from lower sales volumes and prices for coal and reduced methane gas selling prices, partially offset by increased methane gas sales volume and an increase in outside gas and timber royalty income. A total of 6.56 million tons of coal was sold in 1994 versus 7.18 million tons in 1993. The decrease in tonnage sold was the result of lower shipments to Alabama Power Company ("Alabama Power") and Japanese steel mills. Reduced shipments to Alabama Power were the result of an agreement reached with Alabama Power to ship only the Reduced Base Tonnage Coal (2 million tons per year) and Period 2 Tonnage Coal (500,000 tons) for the contract year ending June 30, 1994 (see Financial Condition for further discussion). The average price per ton of coal decreased 1.6%, from $44.84 in 1993 to $44.13 in 1994 due to lower prices realized on shipments to Japanese steel mills and other export customers. Blue Creek Mine No. 5 ("Mine No. 5") was shut down from November 17, 1993 through December 16, 1993 as a precautionary measure as a result of air monitoring tests detecting evidence of spontaneous combustion heatings in a section of the mine. Mine No. 5 was shut down for a substantial portion of the period from July 9, 1990 through September 16, 1990 when a similar problem occurred. The heatings were a result of pyritic sulfur concentrations occurring in the coal seam being exposed to air. Representatives of Jim Walter Resources, the Mine Safety and Health Administration ("MSHA"), Alabama State Mine Inspectors and the United Mine Workers of America ("UMWA") investigated the problem. Since the area of the suspected heatings was inaccessible, a decision was made to drill vertical holes from the surface and flood the area with combinations of water, carbon dioxide, foam and cementitious mixtures to neutralize the spontaneous combustion heatings. MSHA approved the resumption of operations at the mine on December 17, 1993. In early April 1994 the spontaneous heatings recurred and the mine was shut down. Representatives of Jim Walter Resources, MSHA, Alabama State Mine Inspectors and the UMWA agreed that the longwall coal panel being mined at the time the spontaneous heatings recurred would be abandoned and sealed off. Development mining for the two remaining longwall coal panels in this section of the mine resumed May 16, 1994 and the first panel will be ready for mining approximately January 1, 1995. Production will be adversely impacted until January 1, 1995; however a portion of the costs will be recovered from business interruption insurance. The Group incurred an operating loss of $1.2 million in 1994 compared to operating income of $50.8 million in 1993. The lower performance reflects the decrease in sales volumes and prices for coal, lower methane gas selling prices, reduced coal mining productivity as a result of various geological problems in all mines during portions for the year which resulted in higher costs per ton of coal produced and idle plant costs of $5.7 million associated with the Mine No. 5 shut downs which more than offset the effect of increased methane gas sales volumes and the greater outside gas and timber royalty income.

Cost of sales, exclusive of depreciation, of $845.1 million was 79.1% of net sales versus $804.4 million and 75.0% in 1993. The cost of sales percentage increase was primarily the result of lower gross profit margins on home sales, coal, chemicals, foundry coke, industrial castings, resin coated sand, patterns and tooling, window

components and metal building and foundry products, partially offset by improved margins on furnace coke, mineral wool and pipe products.

Selling, general and administrative expenses (exclusive of postretirement health benefits) of $127.9 million were 9.6% of net sales and revenues in 1994 versus $124.6 million and 9.4% in 1993.

The Company adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("FAS 106") in 1993 (see Note 11 of Notes to Financial Statements). Upon adoption the Company elected to record the transition obligation of $166.4 million pre-tax ($104.6 million after tax) as a one time charge against earnings rather than amortize it over a longer period. The annual accrual for postretirement health benefit costs in 1994 was $25.6 million versus $23.5 million in 1993.

Interest and amortization of debt discount and expense decreased $16.1 million. The decrease was principally the result of reductions in the outstanding debt balances on the Mortgage-Backed Notes and Asset Backed Notes (see Note 5 of Notes to Financial Statements) and lower amortization of debt discount and expense, partially offset by higher interest rates. Interest in the amount of $724.3 million ($163.7 million in the current year) on unsecured obligations has not been accrued in the consolidated financial statements since the date of the filing of petitions for reorganization. This amount is based on the balances of the unsecured debt obligations and their interest rates as of December 27, 1989 and does not consider fluctuations in the level of short-term debt and interest rates and the issuance of commercial paper that would have occurred to meet the working capital requirements of the Homebuilding and Related Financing Group (see Notes 2, 3 and 5 of Notes to Financial Statements). Such interest rates do not presently govern the respective rights of the Company, its subsidiaries and the various lenders. Instead the rights of the parties will be determined in connection with the Reorganization Proceedings.

Amortization of excess of purchase price over net assets acquired (goodwill) increased $9.1 million. The increase resulted from adjustments to amortization of the goodwill due to greater payoffs received in advance of maturity on the instalment note portfolio (see Note 1 of Notes to Financial Statements).

The Omnibus Budget Reconciliation Act of 1993 increased the federal corporate tax rate to 35% from 34%. Also, Statement of Financial Accounting Standards No. 109 requires that deferred tax liabilities and assets be adjusted whenever there is a rate change. The effect of the rate change resulted in a $2.8 million charge to deferred tax expense. The rate change effect combined with reduced percentage depletion and increased amortization of goodwill (both permanent book/tax differences) resulted in an effective tax rate of 80.1% in 1994 versus an effective tax rate of 34.3% in 1993.

The net income for 1994 and the net loss 1993 reflects all of the previously mentioned factors as well as the $4.5 million increase in Chapter 11 costs, partially offset by slightly higher interest income from Chapter 11 proceedings. The increase in Chapter 11 costs was due to the veil piercing litigation and the filing of two amended plans of reorganization (see Notes 2 and 10 of Notes to Financial Statements).

Years ended May 31, 1993 and 1992

As previously mentioned, the Company adopted FAS 106 in 1993. Accordingly, operating income presented in the "Segment Information" includes postretirement health benefits of $23.5 million in 1993. However, for purposes of the following discussion of results of operations for the years ended May 31, 1993 and 1992, the fiscal 1993 operating income referred to in each business segment excludes such postretirement health benefits expense (hereinafter referred to as "1993 adjusted operating income").

Net sales and revenues for the year ended May 31, 1993 decreased $47.6 million, or 3.5%. A 5.9% decrease in volume was partially offset by a 2.4% increase in price and/or product mix. The decrease in net sales and revenues resulted from lower sales and revenues in the Water and Waste Water Transmission Products and Natural Resources Groups, partially offset by improved sales in the Homebuilding and Related Financing, Building Materials and Industrial Products Groups.

Water and Waste Water Transmission Products Group sales and revenues were $3.7 million, or 1.1%, below the prior year. The decrease was basically the result of lower ductile iron pressure pipe sales volume due to continued weak construction activity and rehabilitation work, partially offset by improved selling prices. The order backlog of pressure pipe at May 31, 1993 was 121,173 tons compared to 121,956 tons at May 31, 1992. The 1993 adjusted operating income of $19.1 million was $5.4 million below the prior year. The effect of lower ductile iron pressure pipe sales volume on this highly capital intensive product group was the primary reason for the decline in operating profit which was partially offset by lower scrap costs, a major raw material component, improved selling prices and reduced selling, general and administrative expenses (due principally to legal and settlement costs in 1992 associated with a lawsuit filed by the City of Atlanta).

Natural Resources Group sales and revenues were $68.3 million, or 16.3%, below the prior year. The decrease was the result of lower coal shipments and a decrease in outside coal royalties, partially offset by higher average selling prices for coal and methane gas and greater methane gas sales volume. A total of 7.18 million tons of coal was sold in 1993 versus 9.18 million tons in 1992, a 22% decrease. On June 17, 1992 a major production hoist accident occurred at Blue Creek Mine No. 3 ("Mine No. 3") causing extensive damage. The mine did not resume production until August 31, 1992. The hoist accident resulted in a mutually agreed postponement of shipments of 400,000 tons to Alabama Power from the period July through September 1992 to the period January through June 1993. Fiscal 1992 tonnage shipments to Alabama Power were favorably impacted by a separate lower selling price short-term contract for 964,000 tons. Shipments to the Japanese steel mills and other export customers were also below the prior year due to the hoist accident and an April 1992 workforce reduction which reduced production tonnage available for sale. The average price per ton of coal sold increased 4.9%, from $42.76 in 1992 to $44.84 in 1993. The higher price realization in 1993 was the result of coal shipped to Alabama Power in 1992 under the previously mentioned separate lower selling price short-term contract, partially offset by lower selling prices to the Japanese and other export customers in 1993. The Group's 1993 adjusted operating income of $64.2 million exceeded the prior year by $48.2 million. The improved performance resulted from the increased coal and methane gas average selling prices, higher methane gas sales volume, lower selling, general and administrative expenses and improved mining productivity, including the effect of the April 1992 workforce reduction, which resulted in lower costs per ton of coal produced, partially offset by the reduced coal sales volume and the decrease in outside coal royalties. Prior year results were also adversely impacted by severance, vacation pay and ongoing medical benefits associated with the April 1992 workforce reduction ($6.2 million), accelerated depreciation on the remaining assets at a previously closed small coal mine ($5.6 million) and idle plant costs associated with a three week shutdown of Blue Creek Mine No. 4 ("Mine No. 4") due to an accident which damaged the production hoist ($4.4 million) and wildcat strikes by the UMWA ($2.4 million) in August 1991.

Homebuilding and Related Financing Group sales and revenues were $10.3 million, or 2.5%, greater than 1992. This performance reflects a 6.9% increase in the average selling price per home sold, from $34,600 in 1992 to $37,000 in 1993, which was more than offset by a 9.8% decrease in the number of homes sold, from 5,305 units in 1992 to 4,784 units in 1993. The increase in average selling price in 1993 was attributable to higher average prices realized on both the standard line and the larger sized Regency homes combined with a greater percentage of Regency homes sold. The decrease in unit sales reflected strong competition in virtually every Jim Walter Homes sales region and 1993 having a one week shorter sales period than 1992. Jim Walter Homes' backlog at May 31, 1993 was 1,831 units compared to 1,637 units at May 31, 1992. Time charge income (revenues received from Mid-State's instalment note portfolio) increased from $195.0 million in 1992 to $218.7 million in 1993. The increase in time charge income was attributable to the growth of the mortgage portfolio, increased payoffs received in advance of maturity and new mortgages having a higher yield than the older mortgages paying out. The Group's 1993 adjusted operating income of $90.9 million exceeded the prior year by $8.2 million. This improvement resulted from the increase in average selling price per home sold, the higher time charge income and lower selling, general and administrative expenses, partially offset by the lower number of homes sold, reduced homebuilding gross profit margins (due principally to the sales of the larger sized, lower margin Regency homes and increased lumber prices) and slightly higher interest expense in 1993 ($137.9 million) as compared to that incurred in 1992 ($137.0 million). Lumber prices rose from $259 per thousand board feet in June 1992 to a high of $506 in March 1993 and ended the year at $325. A price increase was instituted effective April 1, 1993 to compensate for these increased costs.

Building Materials Group sales and revenues were $4.7 million, or 9.9%, ahead of the prior year. The increase resulted from improved window components and metal building and foundry products sales volumes, partially offset by lower overall sales prices and/or mix. The Group's 1993 adjusted operating income of $2.8 million was $500,000 greater than the prior year as the increased sales volumes and improved operating efficiencies in the metal building and foundry business more than offset the lower selling prices and increased manufacturing costs in the window components business.

Industrial Products Group sales and revenues were $6.5 million, or 4.0%, greater than the prior year. Increased sales volumes of foundry coke, chemicals, castings and aluminum foil were partially offset by lower sales volumes of aluminum sheet, resin coated sand, patterns and tooling, furnace coke and mineral wool and lower selling prices for aluminum foil and sheet, furnace coke, resin coated sand and patterns and tooling. The Group's 1993 adjusted operating income of $12.8 million exceeded the prior year by $1.6 million. The improved performance was the result of the increased sales volumes and improved gross profit margins for castings, partially offset by lower margins for chemicals, resin coated sand and patterns and tooling.

Cost of sales, exclusive of depreciation, of $804.4 million was 75.0% of net sales versus $891.9 million and 78.3% in 1992. The cost of sales percentage decrease was primarily the result of improved gross profit margins on coal, metal building and foundry products and industrial castings, partially offset by lower margins on home sales, ductile iron pressure pipe, chemicals, resin coated sand and patterns and tooling. Results in 1992 were adversely affected by the impact of charges resulting from the previously mentioned Jim Walter Resources mining operations workforce reduction and idle plant costs associated with the wildcat strikes by the UMWA.

Selling, general and administrative expenses of $124.6 million were 9.4% of net sales and revenues in 1993 as compared to $129.4 million and 9.5% in 1992. Expenses in 1992 were adversely impacted by legal and settlement costs associated with a lawsuit filed by the City of Atlanta.

As previously mentioned, the Company adopted FAS 106 in 1993. Upon adoption, the Company elected to record the transition obligation of $166.4 million pre-tax ($104.6 million after tax) as a one time charge against earnings rather than amortize it over a longer period. The annual accrual under the new accounting method amounted to $23.5 million in the year ended May 31, 1993. See Note 11 of the Notes to Financial Statements.

Interest and amortization of debt discount and expense decreased $5.5 million. The decrease was the result of lower outstanding debt balances on secured obligations (see Notes 2, 3 and 5 of Notes to Financial Statements) and lower interest rates, partially offset by greater amortization of debt discount and expense. Interest in the amount of $560.6 million ($163.7 million in 1993) on unsecured obligations has not been accrued in the consolidated financial statements since the date of the filing of petitions for reorganization. This amount is based on the balances of the unsecured debt obligations and their interest rates as of December 27, 1989 and does not consider fluctuations in the level of short term debt and interest rates and the issuance of commercial paper that would have occurred to meet the working capital requirements of the Homebuilding and Related Financing Group (see Notes 2, 3 and 5 of Notes to Financial Statements). Such interest rates do not presently govern the respective rights of the Company, its subsidiaries and the various lenders. Instead the rights of the parties will be determined in connection with the Reorganization Proceedings.

The net loss for 1993 and the net income for 1992 reflects all of the previously mentioned factors as well as the impact of a slightly lower effective income tax rate (see Note 6 of Notes to Financial Statements) and slightly higher interest income from Chapter 11 proceedings, partially offset by a $4.6 million increase in Chapter 11 costs.

Years ended May 31, 1992 and 1991

Net sales and revenues for the year ended May 31, 1992 increased $40.2 million, or 3.0%. A 4.8% increase in volume was partially offset by a 1.8% decrease in price and/or product mix. The increase in net sales and revenues resulted from improved sales and revenues in the Homebuilding and Related Financing, Building Materials, Industrial Products and Water and Waste Water Transmission Products Groups, partially offset by lower sales in the Natural Resources Group and lower Corporate revenues (basically lower interest

income from Chapter 11 proceedings). There is no identifiable reason for the increase in volume of the many different product lines of the Company's subsidiaries other than improved activity in the markets for these products.

Homebuilding and Related Financing Group net sales and revenues were $19.9 million, or 5.1%, greater than 1991. The improved performance includes a 3.6% increase in the average price per home sold, from $33,400 in 1991 to $34,600 in 1992 and a 1.5% increase in the number of homes sold, from 5,229 units in 1991 to 5,305 units in 1992. The increase in average selling price in 1992 is primarily attributable to an improved sales mix resulting from the sale of larger sized homes. Jim Walter Homes' backlog at May 31, 1992 was 1,637 units compared to 1,588 units at May 31, 1991. Time charge income (revenues received from Mid-State's mortgage portfolio) increased from $180.3 million in 1991 to $195.0 million in 1992. The increase in time charge income is attributable to the growth of the mortgage portfolio and to new mortgages having a higher yield than the older mortgages paying out. The Group's operating income of $82.7 million exceeded the prior year by $15.7 million. This improvement reflects the increases in average selling price and number of homes sold, the higher time charge income and lower interest expense in 1992 ($137.0 million) compared to that incurred in 1991 ($140.6 million), partially offset by reduced gross profit margins (due principally to the sale of larger sized, but lower margin Regency homes and increased lumber prices).

Building Materials Group sales and revenues were $2.9 million, or 6.6%, ahead of the prior year. The increase resulted from improved window components sales (increased volume, partially offset by lower selling prices) and greater foundry products sales volume. Operating income of $2.3 million was $1.2 million greater than the prior year reflecting the increased sales, improved efficiencies in the metal building and foundry business due to the increased sales volume and reduced aluminum costs, a major raw material used in the window components business.

Industrial Products Group sales and revenues were $12.0 million, or 7.8%, greater than the prior year. The increase was the result of higher sales volumes of aluminum foil and sheet products, furnace and foundry coke, mineral wool, chemicals, resin coated sand and tooling, partially offset by lower selling prices for aluminum foil and sheet and furnace coke. Operating income of $11.2 million exceeded the prior year by $2.3 million. The improved performance resulted from the increased volume and increased operating margins for mineral wool and chemicals, partially offset by lower margins for aluminum foil and sheet, furnace coke, resin coated sand and tooling. Fiscal 1991 results were adversely impacted by reduced operating efficiencies at the Charleston, South Carolina aluminum rolling mill due to roof failures over the melting furnaces which were a delayed effect of Hurricane Hugo in September 1989; a 102 day strike at the Sloss Industries manufacturing facilities in Birmingham, Alabama, during which period salaried personnel operated the facilities; and an abnormal $1.6 million bad debt expense in the aluminum operation.

Water and Waste Water Transmission Products Group sales and revenues were $18.9 million, or 6.2%, ahead of the prior year, due to improved sales volumes, partially offset by slightly lower pricing. The order backlog of pressure pipe at May 31, 1992 was 121,956 tons compared to 136,807 tons at May 31, 1991. Operating income of $24.5 million was level with the prior year. Increased sales volumes and lower scrap costs, a major raw material component, were offset by the lower selling prices and higher selling, general and administrative expenses due principally to legal and settlement costs associated with a lawsuit filed by the City of Atlanta.

Natural Resources Group sales and revenues were $4.6 million, or 1.1%, below the prior year. The decrease was the result of lower selling prices for coal and methane gas and a decrease in outside coal royalty income, partially offset by greater coal shipments and increased methane gas sales volume. A total of 9.18 million tons of coal was sold in 1992 versus 8.89 million tons in 1991, a 3.3% increase. The average price per ton of coal sold decreased 2.8%, from $43.99 in 1991 to $42.76 in 1992, due to coal shipped to Alabama Power in fiscal 1992 under a separate short-term contract and to lower prices to the Japanese and other export customers. Shipments in the prior year were adversely affected by reduced availability from Mine No. 5. Mine No. 5 was shut down for a substantial portion of the period from July 9, 1990 through September 16, 1990 as a result of safety concerns arising from spontaneous combustion heatings which were a result of pyritic sulfur concentrations occurring in the coal seam in the southern part of the mine being exposed to air by the mining

process. The exposure of the sulfur deposits and its reaction with oxygen contained in the ventilation air currents caused the heatings to occur. Throughout this period, Jim Walter Resources was engaged in discussions with the MSHA regarding a new ventilating arrangement, designed to reduce the contact between oxygen and sulfur, for the longwall faces at Mine No. 5. Although MSHA approved the resumption of operations at the mine on September 15, 1990, providing for a modified conventional ventilation system, productivity was poor and costs were therefore high. In February 1991, Mine No. 5's one longwall unit was moved from the southern part of the mine to a longwall coal panel in the northern area and productivity improved. The southwestern area of the mine was subsequently abandoned and sealed off as efforts to design a ventilation arrangement acceptable to MSHA which properly controlled the spontaneous combustion heatings and provided acceptable productivity and costs of operations were not successful. The Group's operating income of $16.0 million was $45.1 million below the prior year. The lower performance reflected the decrease in coal and methane gas selling prices, reduced outside coal royalty income, lower productivity which resulted in higher costs per ton of coal produced, severance, vacation pay and ongoing medical benefits associated with the workforce reduction described in the following paragraph ($6.2 million), accelerated depreciation on the remaining assets at a previously closed small coal mine ($5.6 million) and slightly higher idle plant costs associated with the three week shutdown of Mine No. 4 due to an accident which damaged the production hoist ($4.4 million) and wildcat strikes by the UMWA ($2.4 million) in 1992 versus the previously mentioned Mine No. 5 problem in 1991 ($6.5 million), partially offset by the improved coal and methane gas sales volumes.

On April 10, 1992, Jim Walter Resources announced that it was reducing its workforce by approximately 720 hourly and salaried employees (approximately 25%) in a major cost reduction move to increase mine productivity and strengthen its competitiveness in worldwide coal markets. The cutback, effective April 13, 1992, applied to all four mines as well as above ground support functions.

Cost of sales, exclusive of depreciation, of $891.9 million was 78.3% of net sales in 1992 versus $826.5 million and 75.3% in 1991. The cost of sales percentage increase was primarily the result of lower margins on coal, homes, aluminum foil and sheet, furnace coke, resin coated sand and tooling, combined with the impact of charges resulting from the previously mentioned Jim Walter Resources mining operations workforce cutback, and higher idle plant costs associated with the Mine No. 4 production hoist problem and the UMWA wildcat strikes in 1992 versus the Mine No. 5 spontaneous combustion heatings problem in 1991. These increases were partially offset by improved margins for window components, metal building and foundry products, mineral wool and chemicals.

Selling, general and administrative expenses of $129.4 million were 9.5% of net sales and revenues in 1992 versus $122.9 million and 9.3% in 1991. Expenses in 1992 were adversely impacted by legal and settlement costs associated with a lawsuit filed by the City of Atlanta.

Interest and amortization of debt discount and expense decreased $32.5 million. The decrease is the result of a reduction in the amounts outstanding under the Mid-State credit facility (see Financial Condition) and the Mortgage-Backed Notes (see Note 5 of Notes to Financial Statements) and lower amortization of debt discount and expense. Interest in the amount of $396.9 million ($163.7 million in 1992) on unsecured debt obligations has not been accrued in the consolidated financial statement since the date of the filing of petitions for reorganization. This amount is based on the balances of the unsecured debt obligations and their interest rates as of December 27, 1989 and does not consider fluctuations in the level of short-term debt and interest rates and the issuance of commercial paper that would have occurred to meet the working capital requirements of the Homebuilding and Related Financing Group (see Notes 2, 3 and 5 of Notes to Financial Statements). Such interest rates do not necessarily presently govern the respective rights of the Company, its subsidiaries and the various lenders. Instead, the rights of the parties will be determined in connection with the Reorganization Proceedings.

The net income for 1992 and 1991 reflects all of the previously mentioned factors as well as the impact of a lower effective income tax rate (see Note 6 of Notes to Financial Statements) and the effect of discontinued operations (in 1991), partially offset by decreased interest income from Chapter 11 proceedings ($8.9 million) due to lower funds available for investment and lower interest rates.

Financial Condition

On December 27, 1989, the Debtors each filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court (the "Bankruptcy Court") for the Middle District of Florida, Tampa Division (the "Reorganization Proceedings"). On December 3, 1990, one additional small subsidiary filed a voluntary petition for reorganization under the Bankruptcy Code. Two other small subsidiaries have not filed petitions for reorganization. Pursuant to the applicable provisions of the Bankruptcy Code, all pending legal proceedings and collection of outstanding claims against the Debtors were automatically stayed upon filing of the Chapter 11 petitions while the Debtors continue business operations as debtors in possession (see Note 2 of Notes to Financial Statements).

The Debtors' Chapter 11 petitions resulted from a sequence of events stemming primarily from an inability of the Company's interest reset advisors to reset interest rates on approximately $624 million of outstanding Senior Extendible Reset Notes and Senior Subordinated Extendible Reset Notes (collectively, the "Old Notes") on which interest rates were scheduled to be reset effective January 2, 1990. The Company believes that the reset advisors' inability to reset the interest rates was primarily attributable to pending asbestos-related litigation which prevented the Debtors from completing a refinancing or from selling assets to reduce their debt which, together with turmoil in the high yield bond markets, depressed the bid value of such notes. This created the potential for a sharply higher reset rate that, in turn, would have caused interest expense to rise above the Debtors' ability to pay. To mitigate these factors, the Company, on November 7, 1989, offered to exchange the Old Notes for a combination of cash and new Senior Extendible Reset Notes and new Senior Subordinated Reset Notes.

The interest reset advisors, Drexel Burnham and Merrill Lynch, advised the Company in early December 1989 that, in their opinion, there was no interest rate at which the Old Notes could be reset to have a bid value of 101% as called for in the terms of the Old Notes. Trustees for the Old Notes, citing the inability of the interest reset advisors to establish a new rate, subsequently advised the Company that the failure to reset the Old Notes not tendered in the exchange offers would likely constitute non-compliance under the indentures for the Old Notes. Later, the exchange offer was supplemented to strengthen certain covenants of the new Senior Extendible Reset Notes and new Senior Subordinated Reset Notes and, in addition, an offer of 10% equity in the Company was made to the holders of old Senior Subordinated Extendible Reset Notes.

The Company received less than the percentages of each of the outstanding classes of Old Notes required under terms of the exchange offers, which expired at 7:00 p.m. New York City time on December 27, 1989. As a result, the exchange offers were terminated and all tendered Old Notes were returned.

As a result of the Reorganization Proceedings, the maturity of all unpaid principal of, and interest on, the senior and subordinated indebtedness of the Debtors became immediately due and payable in accordance with the terms of the instruments governing such indebtedness. The amount of indebtedness that was accelerated on the petition date aggregated approximately $1.7 billion. The Debtors are currently accruing, but not paying, interest on senior secured indebtedness and not accruing interest on unsecured indebtedness. At May 31, 1994, interest in the amount of $724.3 million ($163.7 million in the current fiscal year) had not been accrued on unsecured obligations. These amounts are based on the balances of the unsecured debt obligations and their interest rates as of the petition date. Such interest rates do not necessarily govern the respective rights of the Company, its subsidiaries and the various lenders. Instead, the rights of the parties will be determined in connection with the Reorganization Proceedings.

While the Reorganization Proceedings are pending, the Debtors are prohibited from making any payments of prepetition obligations owing as of the petition date, except as permitted by the Bankruptcy Court. Furthermore, the Debtors will not be able to borrow additional funds under any of their prepetition credit arrangements.

Since the beginning of the Reorganization Proceedings certain of the Debtors have consummated an agreement, as amended, with two commercial banks with respect to a $25 million letter of credit facility. Pursuant to the terms of such "New Letter of Credit Agreement", upon issuance of a letter of credit, the

applicable Debtors will deposit with the issuing bank an amount of cash equal to the stated amount of the letter of credit. At May 31, 1994, $3,037,000 of letters of credit were outstanding under this agreement. Since the beginning of the Reorganization Proceedings certain of the Debtors have also consummated an agreement with the lenders pursuant to which the lenders agree to renew letters of credit issued under the Working Capital Agreement that were outstanding at the time of filing of the petitions for reorganization (the "Replacement Letter of Agreement"). To the extent that the letters of credit under the Replacement Letter of Agreement ($17,549,000 outstanding at May 31, 1994) are renewed during the Reorganization Proceedings, these Debtors have agreed to reimburse the issuing bank for any draws under such letters of credit, which obligation shall be entitled to an administrative expense claim under the Bankruptcy Code. In addition, the obligations of the Debtors under such Replacement Letter of Credit Agreement shall continue to be secured by the collateral which secures the Debtors' obligations under the Bank Credit Agreement and the Working Capital Agreement. The Bankruptcy Court approved the Debtors' entering into the New Letter of Credit Agreement in May 1990. The New Letter of Credit Agreement currently terminates on June 30, 1995. See Note 5 of Notes to Financial Statements.

For a discussion of the plans of reorganization which have been filed in the Reorganization Proceedings see Note 2 of Notes to Financial Statements.

On May 10, 1994, Jim Walter Resources and Alabama Power signed a new agreement for the sale and purchase of coal replacing the 1979 contract and the 1988 amendment thereto (the "New Contract"). The New Contract resolves the various legal disputes between Jim Walter Resources and Alabama Power reported in previous years. On May 23, 1994, the Bankruptcy Court issued an order approving the New Contract, and such order became final on June 3, 1994. Under the New Contract, Alabama Power will purchase 4.0 million tons of coal per year from Jim Walter Resources during the period July 1, 1994 through August 31, 1999. In addition, Jim Walter Resources will have the option to extend the New Contract through August 31, 2004, subject to mutual agreement on the market pricing mechanism and other terms and conditions of such extension. The New Contract will have a fixed price subject to an escalation based on the Consumer Price Index and adjustments for governmental impositions and quality. The New Contract includes modifications of specifications and shipping deviations and changes in transportation arrangements. The New Contract provides for the dismissal of Jim Walter Resources' declaratory judgment action and Alabama Power's dismissal of its appeal regarding Jim Walter Resources' assumption of the 1979 contract. In accordance with the New Contract, a joint motion has been filed by Jim Walter Resources and Alabama Power with the District Court seeking the entry of an order dismissing Alabama Power's appeal from the March 4, 1991 order; and a joint motion was filed by Jim Walter Resources and Alabama Power with the Bankruptcy Court seeking the entry of an order dismissing Jim Walter Resources' declaratory judgment action. By order dated June 24, 1994, the Bankruptcy Court granted the joint motion of Jim Walter Resources and Alabama Power to dismiss Jim Walter Resources' declaratory judgment action.

The long-term contracts with the six (6) Japanese steel mills for 2.75 to 3.0 million tons annually, depending on the level of steel production in Japan, expired on March 31, 1994. The pricing mechanisms in such contracts were market driven and reflected changes in the prices of four (4) specific coal indices. The composite change in market prices of these coal indices from the base point was then reflected in the billing price to the steel mills. Tentative agreements have been reached with some of the Japanese steel mills as to one-year contracts for shipment of approximately 1.2 million tons of coal at a current market price. In addition, approximately 800,000 tons of coal not previously shipped under terms of the long-term contracts will be shipped from April 1994 through March 1996 at the long-term contract price, which is substantially higher than the current market price.

A substantial controversy exists with regard to federal income taxes allegedly owed by the Company. Proofs of claim have been filed by the Internal Revenue Service in the amounts of $110,560,883 with respect to fiscal years ended August 31, 1980 and August 31, 1983 through August 31, 1987, $31,468,189 with respect to fiscal years ended May 31, 1988 (nine months) and May 31, 1989 and $44,837,693 with respect to fiscal years ended May 31, 1990 and May 31, 1991. Objections to the proofs of claim have been filed by the Company and the various issues are being litigated in the Bankruptcy Court. The Company believes that such

proofs of claim are substantially without merit and intends to defend such claims against the Company vigorously.

Liquidity

The Debtors did not commence the Reorganization Proceedings as a result of their inability to fund normal operating liabilities either on a short-term or long-term basis; therefore, the following discussion of liquidity presents a somewhat unusual position compared to that normally associated with many bankruptcy filings.

The Company normally uses its cash flows for three principal purposes: (1) for working capital requirements (including the financing of home sales); (2) for capital expenditures for business expansion, productivity improvement, cost reduction and replacements necessary to maintain the business; and (3) to provide a return to lenders and shareholders.

Working capital is required to fund adequate levels of inventories and accounts receivable, including instalment notes receivable arising from the homebuilding business. At May 31, 1994, the Company had free cash balances and short-term investments of approximately $125 million available for operations. On July 1, 1992, pursuant to approval by the Bankruptcy Court, instalment notes receivable having a gross amount of $638,078,000 were sold by Mid-State to Mid-State Trust III ("Trust III"), a business trust established under the laws of Delaware, in exchange for the net proceeds from the public issuance of $249,864,000 of Asset Backed Notes by Trust III which bear an interest rate of 7-5/8%. Net proceeds were utilized to repay in full all outstanding indebtedness due under the Mid-State credit facility with the excess cash to be used to fund the ongoing operations of the Debtors. Under the Mid-State Trust II ("Trust II") indenture for the Mortgage-Backed Notes, if certain criteria as to performance of the pledged instalment notes are met, Trust II is allowed to make distributions of cash to Mid-State Homes, its sole beneficial owner, to the extent that cash collections on such instalment notes exceed Trust II's cash expenditures for its operating expenses, interest expense and mandatory debt payments on the Mortgage-Backed Notes. In addition to the performance based distribution, the indenture permits distribution of additional excess funds, if any, provided such distributions are consented to by the guarantor of the Mortgage-Backed Notes. The guarantor approved an additional distribution of approximately $20.6 million for the July 1, 1994 distribution. During the period from formation of Trust II through July 1, 1994 such distributions amounted to $81.2 million.

At the present time, 97% of all home sales made by Jim Walter Homes are for credit. Jim Walter Homes obtains funds necessary to operate its home construction business primarily using cash flow from operations of the Company. The Company believes that, under present operating conditions, sufficient cash flow will be generated, together with some use of free cash balances, to finance home sales,to make planned capital expenditures and to meet all operating needs, including any cash deposits to collateralize letters of credit. There are no material commitments for capital expenditures; however, the Debtors' business plans for 1995 include capital expenditures of approximately $96 million. The Reorganization Proceedings have had no adverse impact on capital expenditures.

Greater cash flow from operations in future years is dependent upon the Company's ability to grow and to improve its profitability. The effects that the Reorganization Proceedings will have on the levels of cash flow generated by future operations are unknown at this time.

EXHIBIT 3.B.1.

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 1994

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

	For the Month Ended August 31,	
	1994	1993
	(In thousands)	
Sales and revenues		
Net sales	$ 95,187	$ 100,582
Time charges	19,135	19,420
Miscellaneous	1,161	2,341
Interest income from Chapter 11 proceedings (Note 2)	475	430
	115,958	122,773
Costs and expenses:		
Cost of sales	74,744	77,970
Depreciation, depletion and amortization	5,874	5,893
Selling, general and administrative	10,838	10,644
Postretirement health benefits	2,315	2,133
Provision for possible losses	559	395
Chapter 11 costs (Note 2)	2,367	963
Interest and amortization of debt discount and expense (Interest on unsecured obligations not accrued — $13,640,000 in 1994 and 1993) (Note 2)	12,137	13,306
Amortization of excess of purchase price over net assets acquired (Note 1)	3,538	3,355
	112,372	114,659
	3,586	8,114
Provision for income taxes (Note 7):		
Current	(4,545)	(6,247)
Deferred	1,931	(532)
Net income	972	1,335
Retained earnings (deficit) at beginning of period	(434,059)	(441,638)
Retained earnings (deficit) at end of period	$(433,087)	$(440,303)

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

	For the Three Months Ended August 31,	
	1994	1993
	(in thousands)	
Sales and revenues		
Net sales	$ 277,152	$ 268,676
Time charges	56,749	58,112
Miscellaneous	5,321	5,789
Interest income from Chapter 11 proceedings (Note 2)	1,418	1,193
	340,640	333,770
Costs and expenses:		
Cost of sales	224,119	212,716
Depreciation, depletion and amortization	16,757	16,386
Selling, general and administrative	32,350	31,989
Postretirement health benefits	6,647	6,396
Provision for possible losses	1,297	1,530
Chapter 11 costs (Note 2)	4,149	2,923
Interest and amortization of debt discount and expense (Interest on unsecured obligations not accrued — $40,921,000 in 1994 and 1993) (Note 2)	36,463	40,112
Amortization of excess of purchase price over net assets acquired (Note 1)	10,568	9,936
	332,350	321,988
	8,290	11,782
Provision for income taxes (Note 7):		
Current	(12,895)	(13,373)
Deferred	6,038	2,983
Net income	1,433	1,392
Retained earnings (deficit) at beginning of period	(434,520)	(441,695)
Retained earnings (deficit) at end of period	$(433,087)	$(440,303)

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	August 31, 1994	August 31, 1993
	(in thousands)	
ASSETS		
Cash (includes short-term investments of $183,996,000 and $203,741,000) (Note 3)	$ 209,557	$ 220,199
Short-term investments restricted (Note 4)	98,665	104,553
Instalment notes receivable (Note 4)	4,187,486	4,209,674
Less — Provision for possible losses	(26,316)	(26,663)
Unearned time charges	(2,804,523)	(2,795,466)
Trade receivables, less $7,701,000 and $7,691,000 provision for possible losses	127,973	123,072
Other notes and accounts receivable	16,950	15,696
Inventories at lower of cost (first in, first out or average) or market:		
Finished goods	82,448	74,663
Goods in process	27,267	23,143
Raw materials and supplies	48,327	44,838
Houses held for resale	1,737	1,967
Prepaid expenses	9,109	6,397
Property, plant and equipment, at cost	1,130,185	1,085,395
Less — Accumulated depreciation, depletion and amortization	(477,799)	(426,305)
Investments	5,852	5,590
Unamortized debt expense	28,533	42,609
Other assets	39,853	37,424
Excess of purchase price over net assets acquired (Note 1)	402,355	451,502
	$ 3,107,659	$ 3,198,288
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Bank overdrafts (Note 3)	$ 17,946	$ 12,452
Accounts payable (Note 2)	57,993	54,743
Accrued expenses (Note 2)	112,632	109,412
Income taxes payable (Notes 2 and 7)	28,367	31,453
Deferred income taxes (Note 7)	67,114	82,850
Long-term senior debt (Notes 2, 4 and 5)	841,254	1,003,240
Accrued postpetition interest on secured obligations (Note 2)	270,657	221,638
Accumulated postretirement health benefits obligation	216,161	196,301
Other long-term liabilities (Note 2)	48,566	46,592
Liabilities subject to Chapter 11 proceedings (Notes 2, 4 and 5)	1,727,889	1,725,952
Stockholders' equity (deficit) (Note 1):		
Common stock, $.01 par value per share: Authorized — 50,000,000 shares Issued — 31,120,773 shares	311	311
Capital in excess of par value	155,293	155,293
Retained earnings (deficit), per accompanying statement	(433,087)	(440,303)
Excess of additional pension liability over unrecognized prior years service cost	(3,437)	(1,646)
Total stockholders' equity (deficit)	(280,920)	(286,345)
	$ 3,107,659	$ 3,198,288

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Month Ended August 31,	
	1994	1993
	(In thousands)	
OPERATIONS		
Net income	$ 972	$ 1,335
Charges to income not affecting cash:		
Depreciation, depletion and amortization	5,874	5,893
Provision for deferred income taxes (Note 7)	(1,931)	532
Accumulated postretirement health benefits obligation	2,157	2,133
Provision for other long-term liabilities	(93)	45
Amortization of excess of purchase price over net assets acquired (Note 1)	3,538	3,355
Amortization of debt discount and expense	1,107	1,558
	11,624	14,851
Decrease (increase) in:		
Short-term investments, restricted (Note 4)	(21,797)	(23,990)
Instalment notes receivable, net	679	1,010
Trade and other receivables, net	(1,547)	(11,672)
Inventories	(6,682)	5,614
Prepaid expenses	1,123	609
Increase (decrease) in:		
Bank overdrafts (Note 3)	(3,523)	(734)
Accounts payable	5,398	5,700
Accrued expenses	(3,534)	(242)
Income taxes payable (Note 7)	(1,482)	5,197
Accrued postpetition interest on secured obligations	11,007	11,726
Liabilities subject to Chapter 11 proceedings (Note 2):		
Accounts payable	11	4
Cash flows from operations	(8,723)	8,073
FINANCING ACTIVITIES		
Retirement of long-term senior debt	—	(1,000)
Cash flows from financing activities	—	(1,000)
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net of normal retirements	(5,749)	(3,768)
(Increase) in investments	(18)	(19)
Decrease (increase) in other assets	(22)	88
Cash flows from investing activities	(5,789)	(3,699)
Net increase (decrease) in cash and cash equivalents	(14,512)	3,374
Cash and cash equivalents at beginning of period	224,069	216,825
Cash and cash equivalents at end of period (Note 3)	$209,557	$220,199

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Three Months Ended August 31,	
	1994	1993
	(in thousands)	
OPERATIONS		
Net income	$ 1,433	$ 1,392
Charges to income not affecting cash:		
Depreciation, depletion and amortization	16,757	16,386
Provision for deferred income taxes (Note 7)	(6,038)	(2,983)
Accumulated postretirement health benefits obligation	6,199	6,396
Provision for other long-term liabilities	(324)	150
Amortization of excess of purchase price over net assets acquired (Note 1)	10,568	9,936
Amortization of debt discount and expense	3,318	4,667
	31,913	35,944
Decrease (increase) in:		
Short-term investments, restricted (Note 4)	8,887	1,067
Instalment notes receivable, net	2,532	(686)
Trade and other receivables, net	(6,110)	12,792
Inventories	12,800	22,028
Prepaid expenses	2,226	1,505
Increase (decrease) in:		
Bank overdrafts (Note 3)	(11,933)	(5,469)
Accounts payable	(1,475)	2,047
Accrued expenses	(10,033)	(6,826)
Income taxes payable (Note 7)	6,824	12,318
Accrued postpetition interest on secured obligations	12,625	11,439
Liabilities subject to Chapter 11 proceedings (Note 2):		
Accounts payable	10	139
Cash flows from operations	48,266	86,298
FINANCING ACTIVITIES		
Issuance of long-term senior debt	—	2,000
Retirement of long-term senior debt	(30,716)	(46,203)
Cash flows from financing activities	(30,716)	(44,203)
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net of normal retirements	(11,280)	(12,436)
(Increase) in investments	(99)	(22)
Decrease in other assets	83	192
Cash flows from investing activities	(11,296)	(12,266)
Net increase in cash and cash equivalents	6,254	29,829
Cash and cash equivalents at beginning of period	203,303	190,370
Cash and cash equivalents at end of period (Note 3)	$209,557	$220,199

Note 1 — Organization

Walter Industries, Inc. (formerly Hillsborough Holdings Corporation) (the "Company") was organized in August 1987 by a group of investors led by Kohlberg Kravis Roberts & Co. ("KKR") for the purpose of acquiring Jim Walter Corporation, a Florida corporation ("Original Jim Walter") through a tender offer and a subsequent merger, consummated on January 7, 1988 (the "Merger"). On April 1, 1991, Walter Industries, Inc., a subsidiary of the Company, merged into the Company thereby completing its previously adopted plan of reorganization. The Company changed its name to Walter Industries, Inc. in connection with such merger. The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant intercompany balances have been eliminated. The Company's financial statements reflect the allocation of the purchase price of Original Jim Walter based upon fair market value of the assets acquired and liabilities assumed.

NOTE 2 — Reorganization Proceedings

On December 27, 1989, the Company and 31 of its subsidiaries (including the subsidiary in the next sentence, the "Debtors") each filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court (the "Bankruptcy Court") for the Middle District of Florida, Tampa Division (the "Reorganization Proceedings"). On December 3, 1990, one additional small subsidiary filed a voluntary petition for reorganization under the Bankruptcy Code. Two other small subsidiaries did not file petitions for reorganization.

The Debtors' Chapter 11 cases resulted from a sequence of events stemming primarily from an inability of the Company's interest reset advisors to reset interest rates on approximately $624 million of outstanding Senior Extendible Reset Notes and Senior Subordinated Extendible Reset Notes on which interest rates were scheduled to be reset effective January 2, 1990. The inability to reset the interest rates was primarily attributable to pending asbestos-related litigation which prevented the Debtors from completing a refinancing or from selling assets to reduce their debt which, together with turmoil in the high yield bond markets, depressed the bid value of such notes.

The consolidated financial statements of the Company have been prepared on a "going-concern" basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business; however, as a result of the Chapter 11 filings, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties. These financial statements include adjustments and reclassifications that have been made to reflect the liabilities which have been deferred under the Reorganization Proceedings. Interest in the amount of $765,227,000 at August 31, 1994 and $601,542,000 at August 31, 1993 ($40,921,000 for the three months ended August 31, 1994 and 1993) on unsecured debt obligations has not been accrued in the consolidated financial statements since the date of the filing of petitions for reorganization. This estimate is based on the balances of the unsecured debt obligations and their interest rates as of the petition date. Such interest rates do not necessarily presently govern the respective rights of the Company, its subsidiaries and the various lenders. Instead, the rights of the parties will be determined in connection with the Reorganization Proceedings.

The discussion below sets forth various aspects of the Reorganization Proceedings, but is not intended to be an exhaustive summary. For additional information regarding the effect on the Debtors of the Reorganization Proceedings, reference should be made to the Bankruptcy Code, the rules and regulations promulgated pursuant to the Bankruptcy Code and the case law thereunder. Each creditor should consult with its own counsel regarding the impact of the Reorganization Proceedings on such creditor's claims.

Pursuant to provisions of the Bankruptcy Code and an order of the Bankruptcy Court dated December 28, 1989, the Debtors were authorized to continue to operate their businesses and own and manage their

properties and assets as debtors in possession. The Bankruptcy Code authorizes the Debtors to enter into transactions, including the sale or lease of property of their estates and to use property of their estates, in the ordinary course of their businesses without prior approval of the Bankruptcy Court. The sale or lease of property of the estates other than in the ordinary course of business and certain other transactions (for example, secured financing), whether or not in the ordinary course of business, are subject to prior approval by the Bankruptcy Court.

As a result of the filing of petitions for reorganization, the maturity of all unpaid principal of, and interest on, the senior and subordinated indebtedness of the Debtors became immediately due and payable in accordance with the terms of the instruments governing such indebtedness. The Debtors will not be able to borrow additional funds under any of their prepetition credit arrangements. Pursuant to the applicable provisions of the Bankruptcy Code, all pending legal proceedings against the Debtors were automatically stayed upon the filing of such petitions.

Under the Chapter 11 filings, a significant portion of claims in existence at the filing date ("prepetition") are stayed ("deferred") while the Company continues to manage the business. The Bankruptcy Code defines "claim" to include a right to payment whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured. Claims which were contingent or unliquidated at the commencement of the Reorganization Proceedings constitute claims under the Bankruptcy Code. Such claims, including, without limitation, those that may arise in connection with rejection of executory contracts, including leases, as well as those that might arise in connection with environmental and pension-related matters, could be significant. It is not possible to quantify the amount of such claims at this time. Under the Bankruptcy Code, a creditor's claim is treated as secured only to the extent of the value of such creditor's collateral, and the balance of such creditor's claim is treated as unsecured. Depending upon the outcome of the Reorganization Proceedings and the value of a secured creditor's collateral, if any, secured creditors may not be entitled to claim interest on their claims for the period after December 27, 1989. Generally, unsecured debt does not accrue interest after the filing.

Only holders of "allowed claims" may vote on and participate in distributions under any plan or plans of reorganization that may be proposed. A claim is allowed to the extent (i) the claim is not listed as contingent, disputed or unliquidated on the Debtors bankruptcy schedules filed in January 1990, as amended, or (ii) a proof of claim is filed and not successfully objected to by a party in interest.

Additional prepetition claims and liabilities may arise, some of which may be significant, subsequent to the filing date for various reasons. To the extent a creditor must file a proof of claim, such proof must be filed by a date fixed by the Bankruptcy Court as the last day to file proofs of claim (the "Bar Date"). At a hearing on July 23, 1992, the Bankruptcy Court set a Bar Date of October 30, 1992 in the Reorganization Proceedings for all claims other than any potential claims related to asbestos personal injury or property damage. At a hearing on December 16, 1992, the Bankruptcy Court set a second Bar Date of March 1, 1993 in the Reorganization Proceedings for new creditors added by amended schedules filed by certain of the Debtors on November 23, 1992. On August 31, 1993, the Bankruptcy Court set a third Bar Date of November 30, 1993 for creditors added by amended schedules filed by the Debtors on July 12, 1993. No provision has been included in the accompanying financial statements for any prepetition claims and additional liabilities that may arise from resolution of any claims filed.

The amount included as liabilities subject to Chapter 11 proceedings reflected on the Company's consolidated balance sheet consists of the following:

	August 31, 1994	August 31, 1993
	(in thousands)	
Short-term notes payable	$ 78,033	$ 78,033
Accounts payable	64,348	63,039
Accrued expenses	95,847	95,999
Income taxes payable	47,066	47,066
Long-term senior debt (Note 5)	416,629	416,629
Long-term subordinated debt	1,025,728	1,024,948
Other long-term liabilities	238	238
	$1,727,889	$1,725,952

As debtors in possession, the Debtors have the right, subject to Bankruptcy Court approval and certain other limitations, to assume or reject certain executory contracts, including unexpired leases. In this context, "assumption" means that the Debtors agree to perform their obligations and cure certain existing defaults under the contract or lease, and "rejection" means that the Debtors are relieved from their obligations to perform further under the contract or lease and are subject only to a claim for damages for the breach thereof. Any claim for damages resulting from the rejection of an executory contract or an unexpired lease is treated as a general unsecured claim in the Reorganization Proceedings.

Unless the Bankruptcy Court, upon request of a non-Debtor party and after notice and a hearing, fixes a date by when the Debtors must elect to assume or reject an executory contract, the Debtors may assume or reject such contracts in a plan or plans of reorganization. With respect to unexpired non-residential real property leases, including mineral leases and interests, the Bankruptcy Code provides that a Debtor has 60 days after the commencement of a Chapter 11 case in which to assume or reject such leases unless the Bankruptcy Court, for cause shown, extends such 60 day period. Pursuant to an order of the Bankruptcy Court dated August 31, 1993, the time within which the Debtors must assume or reject their nonresidential real property leases was extended through and including October 31, 1993. The Debtors filed a motion to extend, until confirmation of a plan of reorganization, the time for assumption or rejection of their non-residential real property leases. On March 4, 1994, the Bankruptcy Court entered an order approving the Debtors motion. On February 25, 1991, the Debtors received Bankruptcy Court approval to assume substantially all of their mineral leases and interests.

For 120 days after the date of the filing of a voluntary Chapter 11 petition, a debtor has the exclusive right to file a plan of reorganization with the Bankruptcy Court (the "Exclusivity Period"). If a debtor files a plan of reorganization during the 120-day Exclusivity Period, no other party may file a plan of reorganization until 180 days after the date of filing of the Chapter 11 petition. Until the end of this 180-day period (the "Acceptance Period") the debtor has the exclusive right to solicit acceptances of the plan. The Bankruptcy Court may shorten or extend the 120- and 180-day periods for cause shown. If a debtor fails to file a plan during the Exclusivity Period or, if such plan has been filed, fails to obtain acceptance of such plan from impaired classes of its creditors and equity security holders during the Acceptance Period, any party in interest, including a creditor, an equity security holder, a committee of creditors or equity security holders or an indenture trustee may file a plan. Additionally, if the Bankruptcy Court were to appoint a trustee, the Exclusivity Period, if not previously terminated, would terminate.

The initial Exclusivity Period for each of the Debtors would have expired on April 26, 1990 and the initial Acceptance Period would have expired on June 26, 1990. The Debtors filed various motions to extend the

Exclusivity Period which were granted. Pursuant to an order of the Bankruptcy Court dated April 15, 1992, the Exclusivity Period expired June 15, 1992 and the Acceptance Period was to expire on August 14, 1992.

For information concerning (a) the plans of reorganization filed by the Debtors on June 15, 1992, September 22, 1993, April 20, 1994, June 9, 1994 and June 22, 1994 (the "Debtors Fourth Amended Plan"), (b) the plans of reorganization filed by LaSalle National Bank (as the successor trustee under the indenture dated as of January 1, 1988, as amended for the Series B & C Senior Notes) on December 30, 1993 and April 20, 1994, (c) the plan of reorganization filed by Chemical Bank and Bankers Trust Company (as agents under the Bank Credit Agreement dated as of September 10, 1987, as amended, and the Working Capital Credit Agreement dated as of December 29, 1987, as amended) on December 28, 1993, (d) the plans of reorganization filed by AIF II, L.P., certain affiliates of AIF II, L.P. and certain accounts managed or controlled by such affiliates, Lehman Brothers Inc., the Official Bondholders Committee and the Official Committee of General Unsecured Creditors (collectively, the "Bondholders Plan Proponents") on December 16, 1993, April 20, 1994, May 11, 1994, May 17, 1994 and June 9, 1994 (the "Bondholders Second Amended Plan"), and (e) hearings to consider approval of the disclosure statements filed by the Debtors and the Bondholders Plan Proponents in connection with such plans that were held on May 19, 1994 and June 15, 1994, reference is made to Note 2 of Notes to Financial Statements for the year ended May 31, 1994.

The Debtors are pursuing confirmation of the Debtors' Fifth Amended Joint Plan of Reorganization Dated As Of July 25, 1994 (the "Debtors' Fifth Amended Plan") and the Bondholders Plan Proponents are pursuing confirmation of the Creditors' Joint Plan of Reorganization Dated As Of August 1, 1994 (the "Bondholders Third Amended Plan"). Information concerning the Debtors' Fifth Amended Plan and the Bondholders Third Amended Plan, is included below.

On July 7, 1994, the Debtors and the Pension Benefit Guaranty Corporation filed objections to the Bondholders Plan Proponents amended disclosure statement for the Bondholders Second Amended Plan. In addition, on July 7, 1994, the Bondholders Plan Proponents and the Pension Benefit Guaranty Corporation filed objections to the Debtors amended disclosure statement for the Debtors Fourth Amended Plan. On July 8, 1994, the Texas Homeowners filed objections to such Debtors amended disclosure statement and such Bondholders Plan Proponents amended disclosure statement.

Prior to the July 13, 1994 hearing, the Debtors and the Bondholders Plan Proponents each resolved with the Pension Benefit Guaranty Corporation the objections filed to their respective disclosure statements.

At the hearing held on July 13, 1994 the Bankruptcy Court, *inter alia*.: (i) overruled the objections filed by the Texas Homeowners to the Debtors amended disclosure statement and the Bondholders Plan Proponents amended disclosure statement; (ii) sustained in part and overruled in part the objections filed by the Debtors to the Bondholders Plan Proponents' amended disclosure statement and the objections filed by the Bondholders Plan Proponents to the Debtors amended disclosure statement; (iii) fixed voting and solicitation procedures, which procedures were to be set forth in the Confirmation Hearing Notice; (iv) fixed September 23, 1994 as the last date for voting on the Debtors Fourth Amended Plan and the Bondholders Second Amended Plan; (v) fixed October 7, 1994 as the last date to challenge individual ballots cast for accepting or rejecting the Debtors Fourth Amended Plan or the Bondholders Second Amended Plan; (vi) scheduled hearings to commence October 17, 1994 to hear and determine: (a) the declaratory judgment action commenced by the Debtors for a determination that unsecured creditors are not entitled to post-petition interest under the facts of these Chapter 11 cases, (b) whether the Veil Piercing Settlement is fair and equitable and (c) any challenge to whether a class of claims has accepted or rejected the Debtors Fourth Amended Plan or the Bondholders Second Amended Plan; (vii) fixed November 10, 1994 as the last date to file objections to Confirmation of the Debtors Fourth Amended Plan and/or the Bondholders Second Amended Plan; (viii) scheduled an initial Confirmation Hearing for November 16, 1994 at which time the Bankruptcy Court will fix a date when the Confirmation Hearing will commence; and (ix) approved such

disclosure statements, as supplemented, consistent with the Bankruptcy Court's rulings made at the July 13, 1994 hearing.

On July 25, 1994, the Debtors filed an emergency motion seeking authorization to file the Debtors Fifth Amended Plan and the Debtors Fifth Amended Disclosure Statement Dated As Of July 25, 1994 Pursuant to Section 1125 of the Bankruptcy Code (the "Debtors Fifth Amended Disclosure Statement"). On July 28, 1994, the Bankruptcy Court: (i) granted the Debtors emergency motion; (ii) directed the Debtors to serve the Debtors Fifth Amended Plan on August 1, 1994 and to file said plan with the Bankruptcy Court by August 2, 1994; (iii) directed the Debtors to serve the Debtors Fifth Amended Disclosure Statement by August 2, 1994 and to file said disclosure statement with the Bankruptcy Court by August 3, 1994; (iv) permitted the Bondholder Plan Proponents to further amend the Bondholders Second Amended Plan and related disclosure statement provided such amended plan and disclosure statement must be served by August 1, 1994 and filed with the Bankruptcy Court on August 2, 1994; and (v) prohibited the filing of any further amended plans of reorganization until September 26, 1994.

On August 1, 1994, the Debtors served the Debtors Fifth Amended Plan and filed said plan with the Bankruptcy Court on August 2, 1994. On August 2, 1994, the Debtors served the Debtors Fifth Amended Disclosure Statement and filed said disclosure statement with the Bankruptcy Court on August 3, 1994.

The Debtors Fifth Amended Plan modified the Debtors Fourth Amended Plan in two respects. First, the Debtors Fifth Amended Plan modifies the Allowed Amount (as said term is defined in the Debtors Fifth Amended Plan) of the Series B & C Senior Note Claims by including post-filing date interest on interest accrued and unpaid as of the Filing Date, plus providing for additional interest in an amount equal to 5% of the Net Enterprise Value (as said term is defined in the Debtors Fifth Amended Plan). Payment of the additional interest will be in the form of shares of Common Stock having an aggregate value equal to 5% of the Net Enterprise Value.

In addition, the Allowed Amount of the Working Capital Bank Claims and Revolving Credit Bank Claims has been modified to include post-filing date interest on interest accrued and unpaid as of the Filing Date and additional interest in an amount equal to 3.726% of the Net Enterprise Value with respect to the Revolving Credit Bank Claims and 1.274% of the Net Enterprise Value with respect to the Working Capital Bank Claims. Payment of such additional interest will be in the form of shares of Common Stock having an aggregate value equal to 5% of the Net Enterprise Value.

As a result of said modifications, the current shareholders' interest in the reorganized Debtors will decline from approximately 75% to 68%.

On August 1, 1994, the Bondholders Plan Proponents served the Bondholders Third Amended Plan and the Disclosure Statement For Creditors' Plan Dated As Of August 1, 1994 (the "Bondholders Amended Disclosure Statement"), which documents were filed with the Bankruptcy Court on August 2, 1994.

The Bondholders Third Amended Plan modified the Bondholders Second Amended Plan in four respects. First, the Bondholders Plan Proponents have agreed in principle with certain alleged asbestos claimants and the official committees appointed in the Chapter 11 case of The Celotex Corporation ("Celotex") to an Amended and Restated Veil Piercing Settlement Agreement dated as of August 1, 1994 (the "Restated Veil Piercing Settlement Agreement") pursuant to which the shares of "Class B Common Stock" having an aggregate value of $75 million which was to have been distributed to the alleged asbestos claimants subject to the rights of any "settling equity holders" will instead be distributed to Holders of Revolving Credit Bank Claims ($28,220,625), Working Capital Bank Claims ($9,279,375) and Series B & C Senior Note Claims ($37,500,000). The Restated Veil Piercing Settlement Agreement will become effective upon (i) execution of the agreement by the parties thereto and (ii) approval by the Bankruptcy Court in the Celotex Chapter 11 case. At a hearing on September 1, 1994, by the Bankruptcy Court in the Celotex Chapter 11 case, approval was given to the Restated Veil Piercing Settlement Agreement.

Second, the provisions with respect to the Allowed Amount and treatment of Revolving Credit Bank Claims have been modified to include as additional interest such amount of $28,220,625 which shall be satisfied by shares of "Class B Common Stock".

Third, the provisions with respect to the Allowed Amount and treatment of Working Capital Bank Claims have been modified to include as additional interest such amount of $9,279,375 which shall be satisfied by shares of "Class B Common Stock".

Finally, the provisions with respect to the Allowed Amount and treatment of Series B & C Senior Note Claims have been modified to include as additional interest such amount of $37,500,000 which shall be satisfied by shares of "Class B Common Stock".

On August 2, 1994, the Bankruptcy Court entered an order approving the Debtors Fifth Amended Disclosure Statement and the Bondholders Amended Disclosure Statement.

The process pursuant to which the Debtors Fifth Amended Plan or any further amended plan of reorganization filed by the Debtors and the Bondholders Third Amended Plan or any further amended plan of reorganization filed by the Bondholders Plan Proponents may be confirmed necessarily will be complex and may be delayed pending further developments in the asbestos-related litigation involving the Company. Accordingly, the timing of such confirmation necessarily cannot be predicted.

The Debtors Fifth Amended Plan and/or the Bondholders Third Amended Plan were sent, along with the disclosure statements approved by the Bankruptcy Court, to all members of classes of impaired creditors and equity security holders for acceptance or rejection. In general, the Bankruptcy Code provides that a claim or interest is impaired under a plan unless such plan proposes to pay such claim or interest in full or leave it unaltered. In order to be accepted, at least two-thirds in amount and a majority in number of holders of allowed claims or interests in each class that is impaired who actually vote, must accept the plan. Following acceptance or rejection of any plan by impaired classes of creditors and equity security holders, the Bankruptcy Court at a noticed hearing would consider whether to confirm the plan. Among other things, for confirmation the Bankruptcy Court at a noticed hearing is required to find that (i) each holder of a claim or interests in each impaired class of creditors and equity security holders will, pursuant to the plan, receive at least as much as the class would have received in a liquidation under Chapter 7 of the Bankruptcy Code, (ii) each impaired class of creditors and equity security holders has accepted the plan by the requisite vote and (iii) confirmation of the plan is not likely to be followed by the liquidation or need for further financial reorganization of the debtor or any successor unless the plan proposes such liquidation or reorganization.

If any impaired class of creditors or equity security holders does not accept a plan, and assuming that all of the other requirements of the Bankruptcy Code are met, the proponent of the plan may invoke the so-called "cram down" provisions of the Bankruptcy Code. Under these provisions, the Bankruptcy Court may confirm a plan notwithstanding the nonacceptance of the plan by an impaired class of creditors or equity security holders if certain requirements of the Bankruptcy Code are met, including but not limited to finding that the proposed plan and any settlement contemplated therein (i.e. the Restated Veil Piercing Settlement Agreement) is fair and equitable. These requirements may necessitate provision in full for senior classes of creditors and/or equity security holders before provision for a junior class could be made.

Donlin, Recano & Company, Inc., the ballot agent, filed with the Bankruptcy Court the Declaration of Carole G. Donlin Certifying the Ballots Accepting and Rejecting the Creditors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code and the Declaration of Carol G. Donlin Certifying the Ballots Accepting and Rejecting the Debtor's Fifth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code which indicated that: (a) each impaired class of creditors voted to accept the Bondholders Third Amended Plan and (b) no impaired class of creditors voted to accept the Debtors' Fifth Amended Plan.

In addition to challenging the unsecured creditors' alleged entitlement to post-petition interest in the Debtors' Chapter 11 cases and the fairness of the Restated Veil Piercing Settlement Agreement, the Debtors have filed objections to certain individual ballots and a motion to disallow all ballots cast and voiding the entire solicitation process. The objections to individual ballots and the motion to disallow all ballots cast and to void the solicitation process are scheduled to be heard during the week of October 17, 1994.

The Company cannot now predict whether, or at what time, the Debtors Fifth Amended Plan, the Bondholders Third Amended Plan or any further amended plans by either party may be confirmed or the ultimate terms thereof.

Note 3 — Classification of Cash

The Company's cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Checks issued but not yet presented to the banks for payment are classified as bank overdrafts.

Note 4 — Instalment Notes Receivable and Restricted Investments

The net change in instalment notes receivable consists of sales and resales, net of repossessions and provision for possible losses, of $38,792,000 and $42,059,000 and cash collections on account and payouts in advance of maturity of $41,324,000 and $41,373,000 for the three months ended August 31, 1994 and 1993, respectively.

Mid-State Homes, Inc. ("Mid-State"), an indirect wholly-owned subsidiary of the Company, is the settlor and sole beneficiary of two business trusts established under the laws of Delaware, Mid-State Trust II ("Trust II") and Mid-State Trust III ("Trust III"). Trust II and Trust III were organized for the purpose of purchasing instalment notes receivable from Mid-State from the net proceeds from, respectively, the issuance of the Mortgage-Backed Notes ($649,250,000 outstanding at August 31, 1994) and the Asset Backed Notes ($192,004,000 outstanding at August 31, 1994). Assets of Trust II and Trust III, including the instalment notes receivable, are not available to satisfy claims of general creditors of the Company and its subsidiaries. Of the gross amount of instalment notes receivable at August 31, 1994 of $4,187,486,000, receivables owned by Trust II had a gross book value of $1,566,688,000 and an economic balance of $937,245,000 and receivables owned by Trust III had a gross book value of $508,295,000 and an economic balance of $251,440,000.

Restricted short-term investments include (i) temporary investment of reserve funds and collections on instalment notes receivable owned by Trust II which are available only to pay expenses of Trust II and principal and interest on the Mortgage-Backed Notes ($65,597,000), (ii) temporary investment of reserve funds and collections on instalment notes receivable owned by Trust III which are only available to pay expenses of Trust III and principal and interest on the Asset Backed Notes ($10,783,000), (iii) cash securing letters of credit $2,985,000 and (iv) miscellaneous other segregated accounts restricted to specific uses ($19,300,000, including $6,332,000 from proceeds of sale of assets set aside to offer to purchase Series B and Series C Senior Extendible Reset Notes).

Note 5 — Debt

In June 1991, pursuant to an order of the Bankruptcy Court, $10,704,000 of proceeds from the prepayment of the promissory note received in connection with the sale of Apache Building Products Company ("Apache") in 1988, plus $350,000 of interest earned thereon, held in a segregated escrow account, were applied as a reduction of principal ($8,249,000 to the Revolving Credit Agreement and $2,805,000 to the Working Capital Agreement). The Bank Agents for the Revolving Credit and Working Capital Banks appealed the Bankruptcy Court's order permitting the application of proceeds to the principal of the indebtedness only, to the United States District Court for the Middle District of Florida, Tampa Division (the

"District Court"). On April 29, 1992, the District Court reversed the Bankruptcy Court's order and remanded the case to the Bankruptcy Court for further proceedings and determinations on the issues of whether the Revolving Credit and Working Capital Banks are oversecured creditors, the reasonable, relevant, applicable interest rate and whether the Debtors will ultimately prove to be solvent.

During fiscal 1991, pursuant to an order of the Bankruptcy Court, $7,356,000 of proceeds from the sale of an asset, held as security for the Revolving Credit Agreement and the Working Capital Agreement, and setoff of bank accounts were turned over to the Revolving Credit and Working Capital Banks with reservation of rights as to application of such payment. The Company has applied such payment to a reduction of principal ($5,794,000 to the Revolving Credit Agreement and $1,562,000 to the Working Capital Agreement).

Note 6 — Litigation and Other Matters

The Company has previously discussed in Note 10 of Notes to Financial Statements for the year ended May 31, 1994, the background and status of the Declaratory Judgment Proceeding which the Company filed on January 2, 1990 in the Bankruptcy Court against Jim Walter Corporation, Celotex and certain known individuals who had filed suit against the Company and/or certain of its subsidiaries seeking to hold them liable for asbestos-related liabilities of Celotex.

On July 18, 1994, the asbestos claimants filed their brief in the District Court. On August 2, 1994, the Debtors filed their Brief in Opposition to the appeal of the asbestos claimants in the District Court. On August 2, 1994, Jim Walter Corporation also filed their Brief in Opposition to the appeal of the asbestos claimants. On August 12, 1994, the asbestos claimants filed their reply brief.

On August 11, 1994, the Debtors filed an Emergency Motion to Expedite Appeal, to which the asbestos claimants filed a response on August 18, 1994. On August 19, 1994, the District Court ordered that oral arguments would be heard on September 13, 1994. On August 22, 1994, the Bondholders Plan Proponents filed a motion and memorandum seeking to intervene for sole purpose of clarifying and correcting the record on the Debtors Emergency Motion to Expedite Appeal or, alternatively, to file as an Amicus Curiae. On September 9, 1994, the District Court denied the Debtors emergency motion as moot. On September 9, 1994, the District Court also denied the Bondholders Plan Proponents motion to intervene. On September 13, 1994, the District Court heard oral arguments of the parties.

On October 13, 1994, the District Court issued its opinion affirming the Bankruptcy Court's April 18, 1994 "Veil Piercing Decision" in which the Bankruptcy Court found that there was no basis of piercing the corporate veil, finding for the Debtors on every contested factual issue.

The Company is a party to a number of other lawsuits arising in the ordinary course of its business. While the results of litigation cannot be predicted with certainty, the Company believes that the final outcome of such other litigation will not have a materially adverse effect on the Company's consolidated financial condition.

Note 7 — Income Taxes

On August 10, 1993, the Omnibus Budget Reconciliation Act of 1993 was signed into law raising the federal corporate income tax rate to 35% from 34%, retroactive to January 1, 1993. The provision for income taxes for the month of August 1993 included federal income tax at the 35% statutory rate for the month and three months ended August 31, 1993. In addition, Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" requires that deferred tax liabilities and assets be adjusted in the period of enactment for the effect of an enacted change in tax laws or rates. The Company estimated that such one-time charge was approximately $2.5 million and such amount was included in the provision for deferred income taxes for the month and three months ended August 31, 1993.

Note 8 — Summarized Financial Information

The consolidated financial statements presented herein are of the Company, which is a guarantor of the obligations of the Senior Note Issuers (the principal operating subsidiaries consisting of Jim Walter Homes, Inc. ["Jim Walter Homes"], Jim Walter Resources, Inc. and United States Pipe and Foundry Company ["U.S. Pipe"]) and the Subordinated Note Issuers (Jim Walter Homes and U.S. Pipe). Summarized unaudited financial information of the Senior Note Issuers and the Subordinated Note Issuers is set forth as follows:

	Senior Note Issuers		Subordinated Note Issuers	
	Three Months Ended August 31,		Three Months Ended August 31,	
	1994	1993	1994	1993
	($ in thousands)			
OPERATIONS DATA				
Net sales and revenues	$216,145	$215,250	$147,594	$136,432
Cost of sales (exclusive of depreciation, depletion and amortization)	171,442	167,939	114,813	103,097
Other operating expenses	20,940(a)	25,739(a)	17,621(b)	20,456(b)
Postretirement health benefits	5,488	5,235	1,596	1,574
Chapter 11 costs	17	(15)	11	(21)
Interest and amortization of debt expense	11,121	10,840	7,287	7,170
Amortization of excess purchase price	5,402	5,402	5,842	5,842
	1,735	110	424	(1,686)
Provision for income taxes (Note 7)	(2,656)	(4,182)	(2,389)	(2,881)
Net loss	$ (921)	$ (4,072)	$ (1,965)	$ (4,567)

(a) Net of $10,608 and $7,735 intercompany income, respectively.

(b) Net of $3,268 and $2,097 intercompany income, respectively.

Balance Sheet Data

	Senior Note Issuers		Subordinated Note Issuers	
	August 31, 1994	May 31, 1994	August 31, 1994	May 31, 1994
	($ in thousands)			
ASSETS				
Cash	$ 3,339	$ 22,673	$ 3,303	$ 22,638
Short-term investments, restricted	7,221	6,927	3,740	3,910
Trade and other receivables, net	108,530	100,490	81,748	82,197
Inventories	119,147	132,850	94,789	102,986
Prepaid expenses	6,202	8,177	2,618	3,610
Intercompany receivables	1,977,481	1,914,257	1,483,435	1,419,685
Property, plant and equipment, net	513,370	522,070	167,524	169,186
Unamortized debt expense and other assets	25,671	27,269	16,546	18,171
Excess of purchase price over net assets acquired	278,836	284,238	301,544	307,386
	$3,039,797	$3,018,951	$2,155,247	$2,129,769
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)				
Bank overdrafts	$ 12,878	$ 21,752	$ 12,068	$ 12,184
Accounts payable and accrued expenses	105,581	113,235	60,118	60,285
Income taxes payable (Note 7)	14,033	7,548	10,278	5,600
Deferred income taxes (Note 7)	52,490	56,282	31,895	34,146
Intercompany payables	713,366	693,786	714,633	698,066
Accrued postpetition interest on secured obligations	205,769	194,621	140,040	132,683
Accumulated postretirement health benefits obligation	171,839	166,631	54,513	53,009
Other long-term liabilities	37,024	37,368	7,404	7,543
Liabilities subject to Chapter 11 proceedings	1,733,196	1,733,187	1,445,403	1,445,394
Stockholder's equity (deficit)	(6,379)	(5,459)	(321,105)	(319,141)
	$3,039,797	$3,018,951	$2,155,247	$2,129,769

Note 9 — Segment Information

Information relating to the Company's business segments is set forth as follows:

	Three Months Ended August 31,	
	1994	1993
	(in thousands)	
Sales and Revenues:		
Homebuilding and related financing	$103,082	$109,246
Building materials	16,519	14,556
Industrial products	48,566	41,286
Water and waste water transmission products	102,200	86,798
Natural resources(e)	68,612	80,399
Corporate	1,661	1,485
Consolidated sales and revenues(a)	$340,640	$333,770
Contributions to Operating Income(b):		
Homebuilding and related financing	$ 19,889	$ 24,177
Building materials	46	465
Industrial products	2,536	1,614
Water and waste water transmission products	10,257	7,385
Natural resources	(2,459)	801
	30,269	34,442
Less — Unallocated corporate interest and other expense(c)	(21,979)	(22,660)
Income taxes	(6,857)	(10,390)
Net income	$ 1,433	$ 1,392
Depreciation, Depletion and Amortization:		
Homebuilding and related financing	$ 836	$ 824
Building materials	436	383
Industrial products	2,310	2,175
Water and waste water transmission products	3,574	3,814
Natural resources	9,126	8,798
Corporate	475	392
Total	$ 16,757	$ 16,386
Gross Capital Expenditures:		
Homebuilding and related financing	$ 1,024	$ 1,003
Building materials	2,513	167
Industrial products	4,447	1,116
Water and waste water transmission products	2,508	2,657
Natural resources	4,138	8,307
Corporate	34	429
Total	$ 14,664	$ 13,679

	August 31, 1994	August 31, 1993
	(in thousands)	
Identifiable Assets:		
Homebuilding and related financing	$1,790,301	$1,877,904
Building materials	59,076	56,746
Industrial products	131,093	122,932
Water and waste water transmission products	461,184	462,513
Natural resources	445,704	452,377
Corporate(d)	220,301	225,816
Total	$3,107,659	$3,198,288

(a) Inter-segment sales (made primarily at prevailing market prices) are deducted from sales of the selling segment and are insignificant in amount with the exception of the sales of the Industrial Products Group to the Water and Waste Water Transmission Products Group of $5,146,000 and $3,960,000 and sales of the Natural Resources Group to the Industrial Products Group of $1,375,000 and $1,111,000 in the three months ended August 31, 1994 and 1993, respectively.

(b) Includes postretirement health benefits of $6,647,000 and $6,396,000 for the three months ended August 31, 1994 and 1993, respectively. A breakdown by segment is as follows:

	Three Months Ended August 31, 1994	Three Months Ended August 31, 1993
	(in thousands)	
Homebuilding and related financing	$ 573	$ 542
Building materials	129	126
Industrial products	775	790
Water and waste water transmission products	1,091	1,098
Natural resources	3,901	3,670
Corporate	178	170
	$6,647	$6,639

(c) Excludes interest expense incurred by the Homebuilding and Related Financing Group of $31,120,000 and $32,573,000 in the three months ended August 31, 1994 and 1993, respectively.

(d) Primarily cash and corporate headquarters buildings and equipment.

(e) Includes sales of coal of $61,890,000, and $72,554,000 in the three months ended August 31, 1994 and 1993, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the consolidated financial statements and notes thereto of Walter Industries, Inc. and subsidiaries for the three months ended August 31, 1994, particularly Note 9 — Segment Information which presents sales and operating income by operating group.

Results of Operations

Three months ended August 31, 1994 and 1993

Net sales and revenues for the three months ended August 31, 1994 increased $6.9 million, or 2.1%, over the prior year period, with a 1.5% increase in volume and a .6% increase in pricing and/or mix. The increase in net sales and revenues was the result of improved sales and revenues in the Building Materials, Industrial Products and Water and Waste Water Transmission Products Groups, partially offset by lower sales and revenues in the Homebuilding and Related Financing and Natural Resources Groups.

Building Materials Group sales and revenues were $2.0 million, or 13.5%, greater than the prior year period. The increase resulted from improved sales volumes and prices for window components and metal building and foundry products. The Group's operating income performance, however, of $46,000 was $419,000 below the 1993 period. This performance was largely the result of higher manufacturing costs in the window components business due to increased raw material costs, especially aluminum, a major raw material component, and costs associated with the consolidation and relocation of the Hialeah, Florida and Columbus, Ohio operations to Elizabethton, Tennessee which is expected to be completed by the end of calendar 1994. Increased manufacturing costs for metal building products, which resulted in slightly lower operating income, were the result of higher raw material costs, primarily scrap metal, and reduced efficiencies reflecting start-up problems associated with the relocation of the steel fabrication operation in May 1994.

Industrial Products Group sales and revenues were $7.3 million, or 17.6%, ahead of the prior year period. Increased sales volumes of aluminum foil and sheet products, foundry coke, chemicals, industrial castings, patterns and tooling and resin coated sand and higher selling prices for aluminum foil and sheet products and furnace coke were partially offset by lower sales volumes of furnace coke and mineral wool. The Group's operating income of $2.5 million was $922,000 greater than the prior year period. The improved performance resulted from the sales increase and higher gross profit margins for furnace coke, chemicals and patterns and tooling, partially offset by reduced margins for foundry coke, mineral wool, industrial castings and resin coated sand.

Water and Waste Water Transmission Products Group sales and revenues were $15.4 million, or 17.7%, ahead of the prior year period. The increase was the result of higher sales prices and volumes for ductile iron pressure pipe, fittings and valves and hydrants. The order backlog for pressure pipe at August 31, 1994 was 127,885 tons, which represents approximately three months shipments, compared to 129,108 tons at August 31, 1993. Operating income of $10.3 million exceeded the prior year period by $2.9 million. The improved performance resulted from the increased sales prices and volumes, partially offset by higher raw material costs, especially scrap, a major raw material component.

Homebuilding and Related Financing Group sales and revenues were $6.2 million, or 5.6%, below the prior year period. This performance reflects a 12.8% decrease in the number of homes sold, from 1,218 units in 1993 to 1,062 units in 1994, partially offset by an increase in the average selling price per home sold from $37,600 in 1993 to $39,400 in 1994. The decrease in unit sales reflects continuing strong competition in virtually every Jim Walter Homes sales region. The higher average selling price in 1994 reflects a greater percentage of "90% complete" homes sold and a smaller percentage of the lower priced Affordable Line homes sold. Jim Walter Homes' backlog at August 31, 1994 was 2,019 units compared to 1,830 units at August 31, 1993. Time charge income (revenues received from Mid-State Homes' instalment note portfolio) decreased from $58.1 million in 1993 to $56.7 million in 1994. The decrease in time charge income is

attributable to a reduction in the total number of accounts, partially offset by an increase in the average balance per account in the portfolio. The Group's operating income of $19.9 million was $4.3 million below the prior year period. This decrease resulted from the lower number of homes sold, reduced homebuilding gross profit margins and the decrease in time charge income, partially offset by the increase in average selling price per home sold and lower interest expense in 1994 ($31.1 million) as compared to that incurred in 1993 ($32.6 million). The lower gross profit margins reflect higher lumber prices and the effect of discounts related to sales promotions on certain models.

Natural Resources Group sales and revenues were $11.8 million, or 14.7%, below the 1993 period. The decrease resulted from lower sales volumes and prices for coal, reduced methane gas selling prices and decreases in outside coal, gas and timber royalty income, partially offset by greater methane gas sales volume. A total of 1.403 million tons of coal was sold in the 1994 period versus 1.539 million tons in the 1993 period, an 8.8% decrease. The decrease in tonnage sold was the result of lower shipments to Japanese steel mills and other export customers, partially offset by greater shipments to Alabama Power Company ("Alabama Power"). Increased shipments to Alabama Power were the result of a new agreement signed May 10, 1994 for the sales and purchase of coal replacing the 1979 contract and the 1988 amendment thereto. On May 23, 1994, the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the "Bankruptcy Court") issued an order approving the new contract, such order becoming final on June 3, 1994. Under the new contract, Alabama Power will purchase 4.0 million tons of coal per year from Jim Walter Resources during the period July 1, 1994 through August 31, 1999. In addition, Jim Walter Resources will have the option to extend the new contract through August 31, 2004, subject to mutual agreement on the market pricing mechanism and certain other terms and conditions of such extension. The new contract has a fixed price subject to an escalation based on the Consumer Price Index or another appropriate published index and adjustments for government impositions and quality. The new contract includes modifications of specifications, shipping deviations and changes in transportation arrangements. The new contract provides for the dismissal of Jim Walter Resources' declaratory judgment action and Alabama Power's dismissal of its appeal regarding Jim Walter Resources' assumption of the 1979 contract. A joint motion was filed by Jim Walter Resources and Alabama Power with the District Court seeking the entry of an order dismissing Alabama Power's appeal from the March 4, 1991 order; and a joint motion was filed by Jim Walter Resources and Alabama Power with the Bankruptcy Court seeking the entry of an order dismissing Jim Walter Resources' declaratory judgment action. By order dated June 23, 1994, the District Court granted the motion to dismiss Alabama Power's appeal. By order dated June 24, 1994, the Bankruptcy Court granted the joint motion to dismiss the declaratory judgment action. The average price per ton of coal decreased 6.4%. from $47.13 in the 1993 period to $44.11 in the 1994 period due to lower prices realized on shipments to Alabama Power, Japanese steel mills and other export customers. The Group incurred an operating loss of $2.5 million in the 1994 period compared to operating income of $801,000 in the 1993 period. The lower performance reflects the decreases in sales volumes and prices for coal, lower methane gas selling prices, reduced coal mining productivity which resulted in higher costs per ton of coal produced and lower outside coal, gas and timber royalty income, partially offset by greater methane gas sales volume. Reduced coal mining productivity was principally the result of limited production at Blue Creek Mine No. 5 due to the recurrence of spontaneous combustion heatings that shut down the mine from early April 1994 until May 16, 1994, together with geological problems at Mine No. 4. Representatives of Jim Walter Resources, the Mine Safety and Health Administration, Alabama State Mine Inspectors and the United Mine Workers of America agreed that the longwall coal panel being mined in Mine No. 5 at the time the spontaneous heating recurred would be abandoned and sealed off. Development mining for the two remaining longwall coal panels in this section of the mine resumed May 16, 1994 and the first longwall panel will be ready for mining in January 1995. Production will be adversely impacted until such date; however, a portion of the increased costs will be recovered from business interruption insurance.

Cost of sales, exclusive of depreciation, of $224.1 million was 80.9% of net sales versus $212.7 million and 79.2% in the 1993 period. The cost of sales percentage increase was primarily the result of lower gross profit margins on home sales, coal, foundry coke, mineral wool, industrial castings, resin coated sand, window components and metal building products, partially offset by improved margins for furnace coke, chemicals and patterns and tooling.

Selling, general and administrative expenses (exclusive of postretirement health benefits) of $32.3 million were 9.5% of net sales and revenues in the 1994 period versus $32.0 million and 9.6% in 1993.

Chapter 11 costs of $4.1 million were $1.2 million greater than the prior year period due to the filing of three amended plans of reorganization and printing, mailing and noticing costs associated with the Debtors Fifth Amended Plan and the Bondholders Third Amended Plan, along with the disclosure statements approved by the Bankruptcy Court, that were sent to all members of classes of impaired creditors and equity security holders for acceptance or rejection (see Note 2 of Notes to Consolidated Financial Statements).

Interest and amortization of debt discount and expense decreased $3.6 million. The decrease was principally the result of reductions in the outstanding debt balance on the Mortgage-Backed Notes and Asset Backed Notes and lower amortization of debt discount and expense, partially offset by higher interest rates. Interest in the amount of $765.2 million ($40.9 million in the three months ended August 31, 1994) on unsecured obligations has not be accrued in the consolidated financial statements since the date of the filing of petitions for reorganization. This amount is based on the balances of the unsecured debt obligations and their interest rates as of December 27, 1989 and does not consider fluctuations in the level of short-term debt and interest rates and the issuance of commercial paper that would have occurred to meet the working capital requirements of the Homebuilding and Related Financing Group (see Notes 2 and 4 of the Notes to Consolidated Financial Statements). Such interest rates do not presently govern the respective rights of the Company, its subsidiaries and the various lenders. Instead the rights of the parties will be determined in connection with the Reorganization Proceedings.

On August 10, 1993, the Omnibus Budget Reconciliation Act of 1993 was signed into law raising the federal corporate income tax rate to 35% from 34%, retroactive to January 1, 1993. The provision for income taxes for the 1993 period included federal income taxes at the 35% statutory rate. In addition, Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" requires that deferred tax liabilities and assets be adjusted in the period of enactment for the effect of an enacted change in tax laws or rates. The Company estimated that such one-time charge was $2.5 million and such amount was included in the provision for deferred income taxes in the 1993 period.

The net income for the three months ended August 31, 1994 was $1.433 million as compared to $1.392 million in the 1993 period reflecting all of the previously mentioned factors as well as the impact of lower miscellaneous income and slightly higher postretirement health benefits, partially offset by greater Chapter 11 interest income.

Financial Condition

On December 27, 1989, the Debtors each filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the Bankruptcy Court (the "Reorganization Proceedings"). On December 3, 1990, one additional small subsidiary filed a voluntary petition for reorganization under the Bankruptcy Code. Two other small subsidiaries have not filed petitions for reorganization. Pursuant to the applicable provisions of the Bankruptcy Code, all pending legal proceedings and collection of outstanding claims against the Debtors were automatically stayed upon filing of the Chapter 11 petitions while the Debtors continue business operations as debtors in possession (see Note 2 of Notes to Consolidated Financial Statements).

The Debtors' Chapter 11 petitions resulted from a sequence of events stemming primarily from an inability of the Company's interest reset advisors to reset interest rates on approximately $624 million of outstanding Senior Extendible Reset Notes and Senior Subordinated Extendible Reset Notes (collectively, the "Old Notes") on which interest rates were scheduled to be reset effective January 2, 1990. The Company believes that the reset advisors' inability to reset the interest rates was primarily attributable to pending asbestos-related litigation which prevented the Debtors from completing a refinancing or from selling assets to reduce their debt which, together with turmoil in the high yield bond markets, depressed the bid value of such notes. This created the potential for a sharply higher reset rate that, in turn, would have caused interest expense to rise above the Debtors' ability to pay. To mitigate these factors, the Company, on November 7,

1989, offered to exchange the Old Notes for a combination of cash and new Senior Extendible Reset Notes and new Senior Subordinated Reset Notes.

The interest reset advisors, Drexel Burnham and Merrill Lynch, advised the Company in early December 1989 that, in their opinion, there was no interest rate at which the Old Notes could be reset to have a bid value of 101% as called for in the terms of the Old Notes. Trustees for the Old Notes, citing the inability of the interest reset advisors to establish a new rate, subsequently advised the Company that the failure to reset the Old Notes not tendered in the exchange offers would likely constitute non-compliance under the indentures for the Old Notes. Later, the exchange offer was supplemented to strengthen certain covenants of the new Senior Extendible Reset Notes and new Senior Subordinated Reset Notes and, in addition, an offer of 10% equity in the Company was made to the holders of old Senior Subordinated Extendible Reset Notes.

The Company received less than the percentages of each of the outstanding classes of Old Notes required under terms of the exchange offers, which expired at 7:00 p.m. New York City time on December 27, 1989. As a result, the exchange offers were terminated and all tendered Old Notes were returned.

As a result of the Reorganization Proceedings, the maturity of all unpaid principal of, and interest on, the senior and subordinated indebtedness of the Debtors became immediately due and payable in accordance with the terms of the instruments governing such indebtedness. The amount of indebtedness that was accelerated on the petition date aggregated approximately $1.7 billion. The Debtors are currently accruing, but not paying, interest on senior secured indebtedness and not accruing interest on unsecured indebtedness. At August 31, 1994, interest in the amount of $765.2 million ($40.9 million in the three months ended August 31, 1994) had not been accrued on unsecured obligations. These amounts are based on the balances of the unsecured debt obligations and their interest rates as of the petition date. Such interest rates do not necessarily govern the respective rights of the Company, its subsidiaries and the various lenders. Instead, the rights of the parties will be determined in connection with the Reorganization Proceedings.

While the Reorganization Proceedings are pending, the Debtors are prohibited from making any payments of prepetition obligations owing as of the petition date, except as permitted by the Bankruptcy Court. Furthermore, the Debtors will not be able to borrow additional funds under any of their prepetition credit arrangements.

Since the beginning of the Reorganization Proceedings certain of the Debtors have consummated an agreement, as amended, with two commercial banks with respect to a $25 million letter of credit facility. Pursuant to the terms of such "New Letter of Credit Agreement," upon issuance of a letter of credit, the applicable Debtors will deposit with the issuing bank an amount of cash equal to the stated amount of the letter of credit. At August 31, 1994, $2,985,000 of letters of credit were outstanding under this agreement. Since the beginning of the Reorganization Proceedings certain of the Debtors have also consummated an agreement with the lenders pursuant to which the lenders agree to renew letters of credit issued under the Working Capital Agreement that were outstanding at the time of filing of the petitions for reorganization (the "Replacement Letter of Agreement"). To the extent that the letters of credit under the Replacement Letter of Agreement ($17,549,000 outstanding at August 31, 1994) are renewed during the Reorganization Proceedings, these Debtors have agreed to reimburse the issuing bank for any draws under such letters of credit, which obligation shall be entitled to an administrative expense claim under the Bankruptcy Code. In addition, the obligations of the Debtors under such Replacement Letter of Credit Agreement shall continue to be secured by the collateral which secures the Debtors' obligations under the Bank Credit Agreement and the Working Capital Agreement. The Bankruptcy Court approved the Debtors' entering into the New Letter of Credit Agreement in May 1990. The New Letter of Credit Agreement currently terminates on June 30, 1995.

For further discussion on the background and status of the Reorganization Proceedings see Note 2 of Notes to Consolidated Financial Statements.

A substantial controversy exists with regard to federal income taxes allegedly owed by the Company. Proofs of claim have been filed by the Internal Revenue Service in the amounts of $110,560,883 with respect to fiscal years ended August 31, 1980 and August 31, 1983 through August 31, 1987, $31,468,189 with respect to fiscal years ended May 31, 1988 (nine months) and May 31, 1989 and $44,837,693 with respect to fiscal

years ended May 31, 1990 and May 31, 1991. Objections to the proofs of claim have been filed by the Company and the various issues are being litigated in the Bankruptcy Court. The Company believes that such proofs of claim are substantially without merit and intends to defend such claims against the Company vigorously.

Liquidity

The Debtors did not commence the Reorganization Proceedings as a result of their inability to fund normal operating liabilities either on a short-term or long-term basis; therefore, the following discussion of liquidity presents a somewhat unusual position compared to that normally associated with many bankruptcy filings.

The Company normally uses its cash flows for three principal purposes: (1) for working capital requirements (including the financing of home sales); (2) for capital expenditures for business expansion, productivity improvement, cost reduction and replacements necessary to maintain the business; and (3) to provide a return to lenders and shareholders.

Working capital is required to fund adequate levels of inventories and accounts receivable, including instalment notes receivable arising from the homebuilding business. At August 31, 1994, the Company had free cash balances and short-term investments of approximately $143 million available for operations. On July 1, 1992, pursuant to approval by the Bankruptcy Court, instalment notes receivable having a gross amount of $638,078,000 were sold by Mid-State to Mid-State Trust III ("Trust III"), a business trust established under the laws of Delaware, in exchange for the net proceeds from the public issuance of $249,864,000 of Asset Backed Notes by Trust III which bear an interest rate of 7⅜%. Net proceeds were utilized to repay in full all outstanding indebtedness due under the Mid-State credit facility with the excess cash to be used to fund the ongoing operations of the Debtors. Under the Mid-State Trust II ("Trust II") indenture for the Mortgage-Backed Notes, if certain criteria as to performance of the pledged instalment notes are met, Trust II is allowed to make distributions of cash to Mid-State Homes, its sole beneficial owner, to the extent that cash collections on such instalment notes exceed Trust II's cash expenditures for its operating expenses, interest expense and mandatory debt payments on the Mortgage-Backed Notes. In addition to the performance based distribution, the indenture permits distribution of additional excess funds, if any, provided such distributions are consented to by the guarantor of the Mortgage-Backed Notes. The guarantor approved additional distributions of approximately $20.6 million on July 1, 1994 and $13.9 million for the October 1, 1994 distribution. During the period from formation of Trust II through October 1, 1994 such distributions amounted to $98.8 million.

At the present time, 97% of all home sales made by Jim Walter Homes are for credit. Jim Walter Homes obtains funds necessary to operate its home construction business primarily using cash flow from operations of the Company. The Company believes that, under present operating conditions, sufficient cash flow will be generated, together with some use of free cash balances, to finance home sales,to make planned capital expenditures and to meet all operating needs, including any cash deposits to collateralize letters of credit. There are no material commitments for capital expenditures; however, the Debtors' business plans for 1995 include capital expenditures of approximately $72 million for the balance of the fiscal year ending May 31, 1995. The Reorganization Proceedings have had no adverse impact on capital expenditures.

Greater cash flow from operations in future years is dependent upon the Company's ability to grow and to improve its profitability. The effects that the Reorganization Proceedings will have on the levels of cash flow generated by future operations are unknown at this time.

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

SEGMENT INFORMATION

	1994 Actual	Projected for the Years Ending May 31, 1995	1996	1997	1998	1999
				(in thousands)		
Sales and Revenues:						
Homebuilding and related financing	$ 424,530	$ 457,704	$ 473,346	$ 494,099	$ 519,296	$ 546,071
Building materials	56,111	60,840	66,073	66,986	67,943	68,486
Industrial products	180,615	203,876	221,858	243,353	255,004	272,462
Water and waste water transmission products	345,136	375,839	401,662	429,137	452,935	476,799
Natural resources	319,410	364,882	382,404	399,370	410,179	405,589
Corporate	2,722	5,461	5,511	6,814	9,236	12,833
Total	$1,328,524	$1,468,602	$1,550,854	$1,639,759	$1,714,593	$1,782,240
Earnings Before Interest and Taxes (EBIT):						
Homebuilding and related financing	$ 230,782	$ 237,349	$ 246,110	$ 257,208	$ 266,696	$ 277,728
Building materials	2,074	2,660	5,451	5,808	6,526	7,294
Industrial products	11,873	13,064	19,806	24,080	29,117	31,239
Water and waste water transmission products	25,545	30,636	38,987	47,335	51,381	55,280
Natural resources	(1,175)	36,841	46,579	58,649	63,922	68,232
Corporate	(24,233)	(22,634)	(22,349)	(20,719)	(15,970)	(12,549)
Total	$ 244,866	$ 297,916	$ 334,584	$ 372,361	$ 401,672	$ 427,224

WALTER INDUSTRIES, INC. AND SUBSIDIARIES

SEGMENT INFORMATION

	1994 Actual	Projected for the Years Ending May 31,				
		1995	1996	1997	1998	1999
		(in thousands)				
Depreciation, Depletion and Amortization(a):						
Homebuilding and related financing	$ 3,380	$ 3,420	$ 3,520	$ 3,620	$ 3,720	$ 3,820
Building materials	1,035	1,234	1,467	1,518	1,610	1,643
Industrial products	8,205	9,060	10,228	11,230	12,082	12,900
Water and waste water transmission products	12,878	13,317	14,690	15,442	16,437	17,731
Natural resources	42,433	44,880	46,987	47,183	48,305	47,085
Corporate	1,025	1,215	1,247	1,304	1,321	1,353
Total	$68,956	$73,126	$78,139	$80,297	$83,475	$84,532
Capital Expenditures:						
Homebuilding and related financing	$ 3,210	$ 6,156	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Building materials	1,115	2,310	1,540	929	807	520
Industrial products	9,752	19,670	15,697	13,526	11,456	13,240
Water and waste water transmission products	13,613	19,340	19,170	19,777	20,600	21,775
Natural resources	40,224	47,197	46,159	53,731	28,597	33,176
Corporate	1,917	1,730	905	580	420	355
Total	$69,831	$96,403	$88,471	$93,543	$66,880	$74,066
(a) Excludes Excess of Purchase Price Depreciation of:	$ 2,079	$ 4,049	$ 4,368	$ 4,498	$ 4,439	$ 4,889